

**INSIDE: Quebec's critical election call**

# Maclean's

NOVEMBER 4, 1985

CANADA'S WEEKLY NEWSMAGAZINE

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## Alarm in the Banks



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**Why big  
is safe**

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**How the  
Alberta  
banks failed**







## Tory troubles

In recounting John Fraser's woes ("A minister in crisis," Cover, Oct. 7) you seem to have fallen in with the company line by repeating the claim that the tainted trout was not actually consumed to death. Is it really possible to affirm on scientific grounds that canned salmon meat poses no hazard? Those who spoke of the plight of workers whose jobs could have been affected if the record fish had been discarded should now consider the far more dramatic effects not only on this company but on the whole New Brunswick fishing industry of the loss of public confidence. Overriding the inspectors' recommendation shows colossal bad judgment on the part of company officials and politicians alike.

—MICHAEL K. POTTS,  
Ottawa



Autocue: pressure from all sides

First John Fraser retracts his statement about when he informed the Prime Minister's Office about the tuna situation, then MP Fred McLean in "conversion" he didn't raise the matter in caucus, and then the Conservative party's national director, Gerry Lampert, "remembers" that he recall is faulty regarding the investigation into Marcel Masse. Tell us, *Blink*, when do we get to the punch line?

—ALAN VORSTER,  
Plus Plus, Man.

## Sex roles and custody battles

It was pleasant to see your article on fathers' custody rights ("Fighting over custody," Justice, Oct. 7). However, I was shocked to read the quote from Louise Dukuak of the National Abolition Committee on the Status of Women to

the effect that only a "small minority of fathers are interested in having custody" of their children. It is ridiculous in the fact that males go to court to fight for custody in only a minority of cases, so she should be aware that men are told by their lawyers not to bother, as our court systems are biased in this area and will normally award custody to the mother. Our current family law system seems to be a highly sexist organism which assumes that the female role is only to take care of children and the male role is only to provide financial support.

—GREGGIAN NEWSON,  
Nogues, Cal.

## Protest in the Antipodes

I have enjoyed Allan Petheringham's witty insights for a number of years now. So I was disappointed by his recent column "The tiny Kiwis that roared" (Oct. 7) and its profound ignorance of recent New Zealand history. New Zealanders here, in fact, vigorously opposed apartheid since the 1960s and 1980s, when South African fans booed Maori All-Black rugby players from touring their country. Petheringham laughably calls this the Kiwis' "recent discovery of the 1980s." The same goes for the nuclear question. Thousands of New Zealanders blockaded U.S. nuclear warships in the 1970s with chains of small boats. Journalists, even satirists, should leave their opinions on the mismanagement of facts, not just cocktail party chatter.

—DAN WICKLEY,  
Montreal

Letters are edited and may be condensed. Writers should supply name, address and telephone number. Most correspondence is referred to the Editor. Magazine's magazine, *Maclean's* Under 30s, 777 King St., Toronto, Ont. M5G 1A7.

## PASSAGES

882963020-Darryl McKenough, 57, former minister of municipal affairs, treasurer and minister of energy in former Ontario premier William Davis's Conservative government, from his job as chairman and chief executive officer of Union Energy Corp. Ltd., at the request of James Leach, president of Union's controlling shareholder, Union Canada Corp. Leach said that McKenough was not doing what was needed to turn Union into an aggressive "negotiation-oriented" company.

FERREZ-Ina Gaudeloge Duarte Dares, 35, daughter of Salvadoran President Josef Napoleon Duarte, 44 days after she was kidnapped by guerrillas in an exchange for 115 jailed political prisoners and wounded guerrillas. Released with her were sons of 36 municipal officials kidnapped by guerrillas over the past nine months and Ana Cecilia Villosa Sosa, 20, a friend who was captured with Dares.

APPOINTED-John Fisher, 58, as president and chief executive officer of Southern Inc., replacing his younger brother, Gordon, who died in August after running the multimillion-dollar media empire for 34 years. Fisher, a member of the family firm's founding shareholders, has been chairman of Fraser Inc., a pulp and paper company.

DEED-Former San Francisco supervisor Dan White, 29, who shot the city's mayor, George Moscone, and homosexual activist supervisor Harvey Milk to death in 1978. White was convicted of voluntary manslaughter instead of murder on a defense of diminished capacity due in part to the consumption of junk food (nicknamed the "Twinkie defense"), a verdict that sparked riots in the city's large homosexual community on May 21, 1979, in a suspected suicide by carbon monoxide poisoning.

BYING-Max Schuman, 64, NDP MP for Cambridge from 1964 to 1979 and his party's former finance critic, of terminal liver cancer. Schuman, who announced his illness last week, said that he will withdraw from the local Cambridge November municipal election, in which he was seeking one of four regional council positions.

BREK-Former Roman Catholic Primate of Canada and Archbishop of Quebec Norbert Cardinal Bay, 80, after a lengthy illness. Bay, a respected theologian and church leader, retired in 1983 after 34 years as archbishop. Although he had been seriously ill for many years, he had spent Pope John Paul II during last year's papal tour.

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## Ottawa inside out

It was one of the most elaborate Ottawa parties—a remarkable political one. An Edwardian-period dress ball at the peak Royal Ottawa Golf and Country Club last December attracted the stars of Ottawa's political and bourgeoisie society. Politician wife were forgotten as Sir Lester Ed Broadbent, dressed as a turn-of-the-century schoolteacher, danced with Liberal Leader John Turner's wife, Gaila, while John Crosbie and Jean Chrétien, swayed wistfully amid a swirl of dancers. The host, Richard Gwyn, political columnist for *The Toronto Star*, had helped plan and finance the event to celebrate the publication of *The Prince Capital*, his wife Sandra's portrait of Ottawa a century ago. Observed guest Robert Balfour, Sandra's editor at *Saturday Night* magazine: "You don't see it every day of the week—a husband who looks on his wife with that sort of pride."

The Gwyns, in fact, are one of the most remarkable couples in Canada's writing establishment. Reading, editing and rewriting each other's work, they

have accumulated most of the nation's top awards for journalists and books. Last year Richard, 51, won the National Newspaper Award for column writing, his second such honor from the organization of publishers and journalists. As well, both picked up a joint National Magazine Award for investigative jour-

***A remarkable couple is leaving the capital after winning major awards for their journalism and their many fine books***

nalism for their *Saturday Night* article on then-prime minister Pierre Trudeau's peace initiative. Sandra, 50, won the 1984 Governor General's Award for nonfiction for *Prince Capital*. And now Richard is promoting his fourth book, *The 19th Paradox*, an examination of Canada-U.S. relations.

During his 15 years as the Ottawa

political columnist for *The Toronto Star*, he drew on the special insights he had gained into the capital's inner workings during a five-year stint as a senior bureau chief in the department of communications in the late 1960s and early 1970s. In 1969 he published a best-selling study of Prime Minister Pierre Trudeau, *The Northern Manhood*. Her accomplishments are equally impressive. A prize-winning magazine journalist, she turned to books with *The Prince Capital*, a social history of Ottawa from Confederation until just before the First World War. But there has been a prize for the productivity. Sandra, "We would both like to get away from this pace of work for a while. It has really felt like a bloody factory." This fall, after almost three decades of chronicling Canada, they will get their wish. The Gwyns will move to London, where Richard will take up the post as the star's columnist on international affairs and Sandra will freelance articles and work as a sequel to *The Prince Capital*.

When they leave they will be abandoning a comfortable niche in Ottawa. Easily identifiable—Richard with his distinctive John Caesar haircut and Sandra with her big glasses and pugnacious bob—they turned their home in the leafy west end into a meeting place for the city's political and cultural elite. The books on the shelves in their home testify to their many shared passions—

from murder mysteries and *Edwardsian* novels to history and federal government reports. Photographs of the Atlantic coast and paintings by the vibrant Newfoundland realist Mary Pratt embellish the Gwyns' links to Newfoundland, where they have a cottage in a small port town on the island. Professionally compatible, both are also Canadian nationalists—with accents. Richard's is a clipped Oxford English while Sandra's drawl gives away her Newfoundland origin. Her language is still spiced with such provincial phrases as "it drove me foolish." Born in England, Richard spent his first 15 years in the outer corners of the empire—first in China's British occupation and later in India, where his father served as a brigadier in the British army during the last years of the Raj. Like three generations of Jerrys-Gwyns before him, Richard attended Sandhurst, the British military academy. But his father had to buy him out of his commitment before he had completed his 18-month term. Said Richard: "I realized that I was not cut out for military life. Having displayed myself in the eyes of my family I had no choice but to come to the colonies in the classic way." On arriving in Canada in 1950 at the age of 21, he dropped the "Jerrys" from his surname. At first, he took odd jobs. He hustled snacks on OK trucks in Quebec and ped-

dled a Catholic periodical due to face second Newfoundland's exorbitant. Then, in 1957, while working as a traveling salesman, he went to a tourist information kiosk in Halifax to ask for a city map. He got the map—and eventually the girl in the booth as well.

Her name was Sandra Fraser. She was 36 and had just completed an arts degree at Dalhousie University in Halifax. She was born in St. John's, where her father, Claude, was a deputy minister of natural resources in the island's pre-Confederation government. He died when she was only 3. After her mother remarried, a career navy man, Sandra lived the life of a typical service-family member, living in Victoria, Ottawa and then Halifax. "I was brought up by a bookworm—my mother," said Sandra. Indeed, worried about her daughter's cynicism, Sandra's mother lured her into going to parties by offering books. Her wide reading was one thing she had in common with the travelling salesman "Richard was an early reader," said Sandra. "Absolutely different from anybody I had met or gone out with."

Soon, absorbing books, Richard got a job as a reporter with British United Press, the forerunner of United Press International, in Halifax. He married Sandra in 1958, and they moved to Ottawa. Then, in 1962 Time hired Richard as a parliamentary correspondent, while



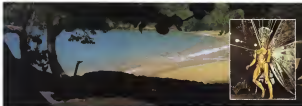
Richard, Sandra Gwyn: depth, humanity

Sandra freelanced cultural affairs articles for the same magazine.

The Ottawa great couple of the 1960s was in the midst of a period of creative self-discovery. Starting with Peter G. Newman's *Allegiance to Power*, a critical analysis of the Chretien-Clark years, newspaper and magazine journalists began to use their talents to expose. The pair called the combined talents of the Gwyns. At Sandra's urging, Richard, who had covered the scandals of 1964-65 that rocked the administration of Prime Minister Lester Pearson, wrote his *Time* research into his first book, *The Shape of Scandal*, published in 1967. Three years later a second Gwyn book appeared, *Smashwood*, the *Unlikely Revolution*, a biography of Newfoundland's controversial first premier. Unlike *Smashwood*, *Smashwood* grew entirely out of original research, one reason why, of his four books, it remains Richard's favorite. It also reflects his attachment to Newfoundland.

From 1969 to 1972 Richard dropped out of journalism and worked first as an executive assistant to then-communications minister Boris Kravtsov and then as a director general in the department of communications. When he finally returned to print as a *Star* columnist, that made experience stand him in good stead. Said Gwyn: "I had the benefit of having seen how things really hap-

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passed, which of course is not at all the way most people think they happen."

Then, in 1976, disillusioned as only a former insider could be, he began writing *Northern Magna*, his analysis of the Trudeau years. As usual, it was a joint effort. Richard did the research and the first few drafts, then both he and Sandra shared the rigorous re-writing process that they had learned working for *Time*. "Sandra is a more graceful writer than I am," said Richard. "She is more likely to say outright, 'I don't think this works.'" Indeed, for the first six months after Richard began writing his materi-

ally syndicated *Star* column, Sandra edited most of his work. "A lot of people could not handle having another writer down the hall," noted their friend Palfrey. But Sandra said: "I do not think either of us could have written any of our books without the other. But each book is that person's, ultimately."

By the time Richard gave up the *Ottawa* beat last January, he had acquired a syndicate of 26 papers and national stature from his print, radio and television work. Last year, when Carleton University's school of journalism polled the 225-member *Ottawa* press gallery, a

majority said Gwyn's column was the country's most informative, and 45 per cent added that if they could read only one *Ottawa* column it would be Gwyn's. Said Walter Stewart, head of journalism at King's College in Halifax: "You had to read Gwyn to be really informed." One of Gwyn's most famous columns, an open letter calling on Trudeau to resign, was one of the submissions that won him the 1984 National Newspaper Award for column writing.

On occasion the column may even have influenced public policy. Richard himself said that he thinks a 1988 column in which he published the results of a supposed Statistics Canada study could have helped compel the Liberals to introduce their *800* and *Pin* consumer programs on the federal and provincial governments and their suppliers. The study showed that almost all Canada's inflation was caused by federal government pricing. Said Richard: "I know that the article was circulated at a cabinet meeting when they were talking about inflation and I think it had some part in shaping the cabinet's decision." Still, there are some prominent Liberals who differ. Senator Keith Duggan, a friend of the Gwyns, said, "That claim is rather grand" of Richard.

While Richard was providing pointed analysis of federal power, Sandra was giving it a human face in the pages of *Saturday Night*. Said the magazine's former features editor, Robert Colman: "She brought a new dimension to reporting *Ottawa*, giving politicians and bureaucrats some depth and humanity." In 1979 Sandra's sympathetic profile of New Brunswick Premier Richard Hatfield won a National Magazine award.

In the course of her *Saturday Night* research, Sandra discovered the columns of a social commentator of the 1980s who wrote about *Ottawa* under the pen name of Anasayfin. "I felt we had the same sort of beat on the town," Sandra recalled. She used Anasayfin as a major source for *The Private Capital*, weaving her gossip and scandal into an elegant but disturbing proof that power and influence have changed little in *Ottawa* over time. "At least half a dozen senior bureaucrats came up to me after reading the book," said Sandra, "and said, 'My God, nothing's changed at all.'"

Says the Gwyns will be unpacking their books and paintings of Newfoundland in their new flat in Little Venice in north central London. Said Sandra: "In *Ottawa* we get so tangled in our ourselves that it becomes obsessive. I hope Richard is right about Canada looking outward." If any journalists can help to focus the country's gaze, they are Richard and Sandra Gwyn.

—MICHAEL CLEGGHORN in Ottawa



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## Seeing red in an old Tory community

The tiny community of Blainmore, (population 2,000) lies at the base of coal-rich Turtle Mountain, in the heart of Alberta's rugged Crownfoot Pass. Five decades ago the town was split by a bitter strike—and the tensions have begun to bubble again. From March to September, 1932, angered by declining wages and layoffs, most of Blainmore's 350 coal miners—the majority of them Italian, Polish and Czech immigrants and all of them members of the fledgling Communist-led Mine Workers Union of Canada—went on strike. But the managers of West Canadian Collieries Ltd., the town's major employer, kept the mines open with the help of 90 strikebreakers, who marched to work under an escort of 200 heavily armed men while singing God Save the King.

Meanwhile, at night, on the hills above the town, local members of the anti-Communist Ku Klux Klan, burnt crosses to frighten the strikers back to work. Now the dispute has flared again. The tension is a reminder by the conservative town council to commemorate Blainmore's "Red" past by renaming



Blainmore, 1932: "Little Moscow"

part of the main street after Tim Buck, general secretary of the Communist Party of Canada for 32 years. The British-born man had emigrated to Canada in 1916 and was a founding member of the Canadian party, secretly organized in a barn near Gaspé, Que., in 1921.

While the dispute's intensity has shocked many of Blainmore's younger residents, most older inhabitants sincerely recall the deep social divisions that marked their community in 1932. Many remember, too, that, while hungry workers ate wild rabbits in their small cottages, barely just blocks away, the mine's general manager enjoyed the comforts of a mansion with a swimming pool and private dance hall. Riots were also heightened by the presence of the Mounties—the same detachment that only six months before the strike had gunned down three members of the same union and wounded 18 in Estevan, Sask., in another labor dispute. Charlie Dean, 71, a former Social Credit M.A. for the area, was a 17-year-old miner at the time who recalls Buck's impact on him: "It was the Communist party and his inspiration in the face of the company's attempts to break the union. Said Dean: 'There were no more than a handful of Reds. People were hungry. We needed a Tim Buck. He advocated unemployment insurance when people were starving.'"

Finally, in September, 1932, the province's United Farmers of Alberta premier, John Brownlee, intervened and imposed a settlement guaranteeing the union's survival and maintaining the prevailing wage rate. But the miners were still angry because the town's municipal council had denied striking workers relief money—at that time a municipal responsibility. Soberly, they organized their own slate of left-wing candidates, many of them Communist sympathizers, and elected a fall seat to the town council early in 1933.

During its flamboyant 10-year reign the Communist-dominated town council put its stamp on Blainmore. It named the town's main street Tim Buck Boulevard. It dismissed the police chief, who was later convicted of extortion, and the town's secretary-treasurer, later convicted of fraud. The council also collected unpaid taxes from prominent citizens, retained relief payments for the unemployed and hired a district nurse. Amos Albano, Blainmore's mayor, known as "Little Moscow." But the union's strength began to wane, and by

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the late 1940s the left wing had lost its majority on the council

In the Cold War period after the Second World War, Haiman's increasing conservatism estranged many members of the Rad clubs to history and activism. Tim Buck Boulevard became 30th Avenue. It is a 1970s community history book, *Crossroads and the People*, the title is not mentioned. Recently, two West Coast radicals have decided to divert it, saying that they had been on opposite sides during the struggle and had only just become friends again. One university student who grew up in Haiman's declared that she had never heard about the town's Communists in her local school. But in August the current town council proposed to restore the name and the street. It is part of a larger project to replace numbered streets with names of local personalities.

That proposal has shattered the town's calm. In letters to the town's newspaper, *The Crowneast Post Promoter*, and in telephone calls to Mayor John Irwin, citizens rallied against the move. Some complained that Buck had only visited the town once and was in any case "a Red." The director of the Crowneast Historical Society, James Kerr, added that the suggestion was "the silliest thing I ever heard tell of."

Despite his controversy, Lewis, a general surgeon and card-carrying Tory, defends the suggestion. He said that Buck and the Communist party of 1969 "served about people and honestly tried to help them in a better life." Ted Maser, publisher of the *Promoter* and a former managing editor of *Toronto's Globe and Mail*, also supported the restoration. Referring to Andrew Hays, the federal minister of railways from 1966 to 1968, Maser said "They named Lewis-masters after a railway magnate who was only here once for an hour and who would be regarded today as a fascist or an extreme racist."

Although most of Blairmore's residents now vote Conservative, some people suggested a compromise: naming 28th Avenue after Pierre Trudeau. "At least he was famous," said one local businessman. The town butcher, Gordon Gross, has offered another option: Emilio Pasinelli, an Alberta fish hero and whisky runner convicted of murder and hanged by Alberta's provincial police in 1921.

Resistance to Tim Bock's commemorative has temporarily shelved the issue, but supporters, including Irvine, say that they hope Blalock's efforts will soon accept their radical roots. Bock wrote: "I am reminded of what the American philosopher, George Santayana, said: 'Those who cannot remember the past are condemned to repeat it.'"

— ANDREW NIKIFORUK &amp; Harmon

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## A correspondent's new war

Two years ago he was a hard-bitten, hard-kitting foreign correspondent whose frost-free dispatches from Cambodia during the final days of the Vietnam War earned him a coveted Pulitzer Prize. A year-and-a-half ago the elegant Sam Waterston portrayed him in the acclaimed film *The Killing Fields*. He was *The New York Times*'s Spidey Schenberg—one of the world's best-known and most-admired journalists. In March, amid pepping bush-balls, Schenberg turned up to celebrate when *The Killing Fields* won three Academy Awards for best supporting actor, film editing and cinematography. By that time Schenberg was writing an outspoken city politics and social issues column for the *Times*. Then, in August the *Times* abruptly dropped the twice-weekly column—and a month ago the prize-winning journalist resigned in a storm of controversy.

From the time he filed his first news story, Schenberg has always had a highly individual vision of journalism. A newspaper, he says, is an instrument of vision. "It should stand up for the weak," he said in a recent interview with *Madison*, "and speak for those who have no voice." The son of working-class parents in Clinton, Mass., educated at



Schenberg: harsh effects

Harvard, Schenberg joined the *Times* in 1969 and worked his way through the paper's ranks. After serving as a city reporter and Albany bureau chief, he was assigned to New Delhi, then Singapore, covering Southeast Asia from 1969 to 1980. His reports on the fall of Cambodia cemented his standing at the *Times* at great risk to himself—and to his photographer and guide, Tich Praa—who remained in Cambodia after most Western journalists had fled to cover the advance of the Khmer Rouge troops. When he returned to New York from Southeast Asia in 1975 he was tapped for a top job as the paper's metropolitan assistant editor and became the department's editor within a year.

In those days Schenberg's relations with the *Times*'s executives were close. In fact, Boston Globe New York bureau chief Robert Lerner revealed that Schenberg, a fervent fan of the Boston Red Sox, went to Yankee Stadium one evening in 1978, only to see his team losing to the New York Yankees. Suddenly, he was startled by a message that appeared on the electronic scoreboard: "801 your heart use, Schenberg." It said in giant letters that all 80,000 fans could read. It was signed "The Bosses." The message was sent by New York *Times* executive editor A.M. (Abe) Rosenthal, who was sitting in Yankee owner

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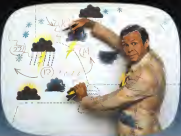
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But by 1981, after Schenberg had begun to write his columns on New York City affairs, that relationship was cooling. "I stepped on some toes," Schenberg said—and some of those toes belonged to powerful people who moved in the same social circles as the Times's publisher. Among his favorite targets were Mayor Ed Koch and billionaire real estate developer Donald Trump.

But some of his harshest attacks were aimed at Westway, a \$4-billion highway-and-development proposal in Manhattan's lower West Side. Schenberg described it in his columns as a "scandal"—despite its endorsement by the Times editorial board. In one especially critical column, published on July 21, Schenberg accused New York's newspapers of being "strangely asleep" as the issue—and on the corruption that he alleged had tainted the underwriting. The project was canceled in September.

The July attack on Westway was Schenberg's last column. Three weeks after it appeared the Times announced, in a two-paragraph statement on page 15 of its Aug. 25 edition, "Sydney Schenberg has been asked to accept another assignment, which is now under discussion." The decision led to a flood of correspondence from unhappy readers—more than a thousand letters on the matter, the largest volume of mail received by the Times in years on any single issue. The outcry prompted the Times to deny that it had silenced Schenberg because of outside pressure. "No such pressure was exerted," said Times vice-chairman Sydney Gruson. "Had it been, it would have been ignored, as always." In place of the column, the Times offered Schenberg a writing job on its Sunday magazine. Late last month—when the paper refused his demand to reinstate his column—Schenberg resigned.

In the end, Schenberg had clearly become too strident for the Times's taste. Publisher Arthur O. Sulzberger was said by insiders to be furious over Schenberg's implied criticism of the Times in his Westway columns. As well, some of his colleagues said that the journalist's prickly personality made him difficult to work with. Said Schenberg: "This was not a personality dispute. My removal from the column was a result of differences over power in New York and the way it is exercised."

But, Schenberg's future is promising. "I am sitting through a number of options," he said, including several offers to write another book. But one thing is clear: his next project will be in journalism. "I don't know how to do anything else," said Schenberg. "Certainly, nothing else would be as exciting."

—MICHAEL MEYER in New York



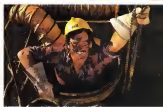
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#### FOLLOW-UP

## Sudbury's new harvest

The giant replica of a Canadian nickel on the outskirts of Sudbury, Ont., is testimony to the mining city's wealth. But the city's dependency on one exhaustible resource could spell its doom. In 1978, faced with that prospect, local businessmen, politicians and academics formed a group. Sudbury 2001, to consider ways to make the community economically viable after the nickel runs out. The group's action plan for diversification launching a glass-wool weaving cottage industry, boosting tourism and using abandoned mine shafts to grow fresh produce—in the North, a tomato can cost as much as \$5. Six years later, the weaving venture has folded—but tourism is up and the plan to turn the depths has borne fruit, or rather greenery: Instead of producing tomatoes, the underground shafts are now yielding pine tree seedlings to help beautify the landscape that mining scarred.

In 1978, in co-operation with Sudbury 2001, Inco Ltd., the international nickel giant that dominates the city's economy, selected a site for its proposed "farm"—a series of unused tunnels at the 4,600-foot level in the company's Creighton mine, 40 km northwest of Sudbury. At that depth, safe from predatory bugs and fungi, the temperature is a constant 28°C all year around. There the company installed automatically controlled soil air lamps to provide light, 16 hours a day and a water-sprinkler to give the crops a daily misting.

Inco's first harvest in 1980 garnered tomatoes, lettuce and cucumbers. Bruce Drenninger, 58, an Inco farmer, said, "We demonstrated that we could grow several fine crops underground every year." The next also proved to be low in comparison with that of imported produce. But after Inco realized it could face a shortage of a different crop—tree seedlings to plant on unsightly tailings, or piles of ground rock refuse which surround working mines—it converted to tree production.

So far, the underground farmers have raised about 20,000 pine seedlings, now replanted on the surface. Another 36,000 seedlings await replanting. Meanwhile, Sudbury's quest for diversification continues. Raul Mager, Pierre Mager, "Sudbury 2001, will try any road if it leads to the future."

—JESSIE KATZ in Toronto



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## A gift from The Boss

The Roman Catholic sister set in a straightback chair in her sparsely furnished Toronto office and spoke softly about one of the world's biggest rock stars. Right works ago the man Sister Marie Tremblay called "Boss," or occasionally "Mr. Springsteen," gave two memorable concerts in Toronto during which he urged his audiences to support Sister Marie's Daily Bread Food Bank. Known to his fans as "The Boss," Springsteen also personally gave the Toronto charity \$25,000. Since then, following his lead, individual fans have written \$6,000 in small checks, food suppliers have offered contributions, and schoolchildren have started fundraising events. Said Sister Marie: "Boss put us on the map."

Founded in October, 1983, Daily Bread had a low profile before Springsteen's Aug. 30 and 31 concerts. The agency collects food from corporate donors that has become unusable because of mispackaging, labelling errors or the approaching end of its shelf life. Then Daily Bread distributes it to 40 accounts which feed the hungry. One is



Springsteen: "Boss put us on the map."

the International Toronto City Mission, a 168-year-old institution which feeds out 175 food parcels a month in addition to its counselling work. Without the food bank, said mission director Don Patterson, "we would have to buy food and spend our time fundraising."

Springsteen, who gave money and support to 80 community charities on his just-completed 15-month international tour, learned about Daily Bread's work from a similar organization in Washington. On Aug. 9 a Springsteen employee telephoned to express interest in the Toronto food bank and to invite the slight, bespectacled sister to her first rock concert. Three weeks later, before the concert began, she went backstage at Rick Barton Stadium with Daily Bread's cofounder, Anglican priest Robert Hagler. Recalling Sister Marie: "Boss sat us in the dome and invited us to sit down. I found him very warm, concerned about his fellow man." Then, Boss's working-class icon boarded on stage and told the 30,000 fans about the food bank's work.

The claps followed swiftly, in small amounts, some were from people who were not Springsteen fans but had learned of the food bank's work through the resulting publicity. Wrote one elderly lady, who sent a dollar: "It is a terrible time to be hungry."

Daily Bread has always relied on donations. In addition to the worthwhile gifts of food that keep its West Toronto warehouse stocked, last June it received \$20,000 from Toronto's Atkinson Charitable Foundation for a cooler and freezer to store fresh and frozen produce. Workers at the Food Bank acknowledge each cash gift with a receipt and a quarterly newsletter to let readers know about the people who are receiving the food. Said Sister Marie: "What touches us are the single mothers with little children they are trying to feed. We do not pretend we are a solution. But we cannot let people starve."

Springsteen himself is also kept informed of the food bank's activity. After sending him a card for his Sept. 20 birthday, Sister Marie invited him—a long with 400 other supporters, donors and Daily Bread volunteers—to the group's first open house at their West Toronto warehouse on Oct. 16. World Food Day. The Boss was unable to come, but Sister Marie played a Springsteen tape for her guests—the song he dedicated to Daily Bread's work at the August performance. The disturbing words of *My Hometown*, about recent storms, closing mills and vanishing jobs, seemed appropriate for the tough economic times faced by those most in need of Daily Bread.

—LINDA CABELL, in Toronto

## Q&A: VARGAS LLOSA

### Fighting the dictators

Five Latin American writers have attempted to create such an emblematic and complicated body of work as Peru's Mario Vargas Llosa. *Author of 12 best-selling novels, three plays and a collection of short stories, he has just won the first Asia Pacific Rising Star award for his novel, The War of the End of the World. Vargas Llosa is also known for the activist role he has taken in Latin American politics and for his radical views. In 1982 he served as a three-man commission investigating the murder of eight Peruvian journalists at Ichazo, in Peru's central Andes region, where a five-year-old civil war has already claimed 3,000 lives. Vargas Llosa was interviewed at his elegant ocean-front mansion in Lima by Marlene's correspondent Wilson Ruiz.*

**Marlene's:** Who do you write?  
**Vargas Llosa:** I try to enrich my life with fantasy and imagination. My writing allows me to have a better and richer life by enlarging all the experiences that my real life does not permit. On the one hand, to write fiction is a way to protest—a parabolic way to criticize life and reality as it is. On the other hand, writing is also a way to regenerate, to recover some past experiences that were very important and which you refuse to accept as having vanished.

**Marlene's:** Do you see your role as that of a social critic?  
**Vargas Llosa:** A writer in a Latin American country is a privileged person, someone who knows how to read and write and is able to communicate what he thinks and believes to large audiences. And that gives any Latin American writer a great moral responsibility. He should do something to improve or change the existing social order. But each writer must assume this responsibility on his own way.

**Marlene's:** What are your hopes for Latin America today?  
**Vargas Llosa:** I would like a very radical social and economic change in Latin America—but within a free society. Social change must be intimately linked with a free system, where it is possible to openly criticize political, economic or religious powers. The fight in Latin America is a fight against all forms of dictatorship—right and left.

**Marlene's:** The Volkswagen commission findings do not support the popular view that the murders of the journalists were engineered by the military. Why was the commission so contentious?  
**Vargas Llosa:** The work of the commis-

sion was very honest and serious. We tried to get to the truth of the tragedy. And for many people the commission's findings were difficult to stomach. The fact that the journalists were killed by peasants who believed the reporters were enemy guerrillas. People refuse to believe that these peasants are priori-

ly evil and cut off from the rest of Peru. It is difficult to accept tragedies that happen out of ignorance.  
**Marlene's:** How would you describe the changing political situation in Latin America?  
**Vargas Llosa:** For the first time in our history we now have a number of freely elected democratic governments. In the past decade many military dictatorships have disappeared because of popular pressure and the bankruptcy of their own armies. At the same time, we in Latin America are experiencing probably the worst economic crisis in a century



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ry. This is very dangerous and could destroy the blossoming process of democratization. Nevertheless, I am cautiously optimistic.

**Madison's:** How can the political climate be solidified?

**Verges-Lima:** There is still a long way to go, but a radical improvement has already taken place. We are learning to live with our differences, to solve them while respecting the law. This process commands the support of the democratic nations of the world. The United States, Canada and Western Europe should support, in a practical way, the democratic process which is beginning to emerge in Latin America. To support democracy is something quite different from simply trying to stop communism. I am a fighter against communism, against communist solutions for Latin American problems. But I think it is unfortunate that only those countries about to fall into communist models receive massive help from the United States, Canada or Western Europe.

**Madison's:** Last January you were asked by *The New York Times* to visit Nicaragua and assess the situation there. What were your impressions?

**Verges-Lima:** After a month in Nicaragua my impression was that while communism was the original intention of the Sandinista government the opposition, not only from the United States but mainly from the Nicaraguan people, has stopped this process. As a result, the Sandinista revolution has taken a left-wing socialist approach quite different from the Cuban model.

**Madison's:** Do you think that U.S. President Ronald Reagan can come to an amicable agreement with Nicaragua?

**Verges-Lima:** Many things have happened since my visit in January. For instance, it was a useful presentation for Nicaraguan President Daniel Ortega to visit the Soviet Union immediately after the U.S. Congress rejected Reagan's military assistance plan for the contras, the armed rebel bands who are attempting to overthrow the Sandinista government. But Nicaragua is not lost to democracy. What I saw in Nicaragua was a mild type of socialism progressing very slowly to a more rigid form of state socialism, but with a large sector of the economy still in private hands and a free market economy still operating. For these reasons the possibility of a negotiated solution is still open.

**Madison's:** What is your role as a writer in the ongoing Latin American political struggle?

**Verges-Lima:** Personally I am active in the political and social debate, but I am independent of any political bias. When I write I try to express my deepest emotions and I do not limit myself by political or ideological limitations. Literature is larger than politics or social economic needs.

## COLUMN

# Doubts about the wisdom of debt

By Dean Cohen

Thirty years ago France Modigliani, this year's winner of the Nobel Prize in economics, said that even if a company were burdened with a lot of debt, it could still be attractive to investors if its share cost less than those of a company with little debt. His colleagues quickly labelled him a heretic. In the early 1960s, when Modigliani was gaining prominence as a professor at Cornell-McKenzie University and, later, the Massachusetts Institute of Technology, debt was a dirty word. Businessmen found money far expensive or acquisition from internally generated profits or share selling avoided the opportunity to share in anticipated profits. At that time, selling their shares in the company. These were the hard times of the Great Depression were those who had the most debt. Those who had survived had acquired fewer debts.

The corporate world changed since then, and Modigliani's work now has had something to do with that. In a recent conversation with Berne's, the U.S. business weekly, Modigliani himself skied away from taking such responsibility. Still, in two decades since his article became a major part of business administration theory, debt-fueled takeovers and leveraged buyouts have become much more commonplace than the practice of raising money by issuing shares. Meanwhile, many bank lending officers have graduated from caution where they loomed that the corporate balance sheet is in good shape if the company's future cash flow does nothing more than cover the interest on its debt. And that is the very reason that has created the problem that both companies and nations now face.

Modigliani predicted investor and business behavior currently but not even he anticipated one reason why going into debt has become so attractive: if the interest is high enough, governments will come to the rescue. In the early 1980s the U.S. government did it with Chrysler and Continental Illinois, the rights-biggest bank holding corporation in the United States. Now, Washington is planning further rescue of the debt-ridden federal farm credit system and of state savings and loan associations. In Canada, Ottawa has become lender to Dome Petroleum, Chrysler, the Canadian Commercial and Norland banks and

several trust companies. Ottawa has even suspended collection of the mortgage debts that farmers accrued under the Farm Credit Corp.

Whether we can blame Modigliani for our recent love affair with debt, there are new signs that our ardor is cooling.

Our passion for debt began when inflation was rising but had not yet peaked. We learned that under inflation it is smart to take on debts because the value of what you owe is less than ever-cheaper dollars. With inflation the price of tangible assets goes up. Throughout the 1970s real estate and commodity prices rose. By the mid-1970s, when the Organization of Petroleum Exporting Countries quadrupled the price of oil, we got the idea that prices would always go up. As a result, everyone from farmers to oil explorers borrowed billions on the strength of rising prices and anticipated profits.

## 'Our profligate borrowing is catching up with us. It has become a danger to global financial stability'

Now our profligate borrowing is catching up with us. Everyone talks about the dangers posed by the huge debts that newly developing countries owe to the American banks.

—but the truth is that our own internally generated debt has become an even greater danger to global financial stability, especially since Reaganomics has wrecked inflation to the ground. That is because in the past three years the rate of inflation has declined from 30 per cent to eight per cent to four per cent. And that disinflationary environment where inflation grows more slowly has made it increasingly difficult for debtors to repay their debts.

The reason is the exact opposite of the reason why we loved debt while we had high inflation. Then, we were paying back our debts with ever-cheaper dollars. In a disinflationary world we have to repay debts with increasingly expensive dollars. One way of deflating inflation is to say that money loses its value and tangible assets—things you can see and touch—become more valuable. By contrast, deflation is a situation

in which paper money is growing more valuable and commodities are getting cheaper.

That is certainly what has been happening lately commodity prices, from corn to gold, are falling. The debt is harder to turn in, as assets such as resources become more difficult to acquire. Real estate prices stop rising at the rate they used to or actually decline, as they have in many parts of North America. And people who may have cashed in their home equity on mortgages as property values as long as increasing in value. The debt incurred to acquire or produce assets becomes a hardship.

Look at the bankruptcies and bailouts of the past few years. If they are the harbinger of the future, it should be clear that as outright deflation, demand is actually falling prices—the trend we are seeing in Alberta real estate, for example—is a prescription for global financial disaster.

There are good reasons to believe that Washington's agenda no longer includes measures to foster disinflation. One sign is the efforts that the U.S. government, initiated before last month's International Monetary Fund meeting, to devalue the U.S. dollar. Devaluing the dollar, as the Washington action on its newly found wisdom that foreign debtors could no longer be asked to sacrifice at home to pay interest abroad.

Such moves strongly suggest that the world is on its way to inflation. That will multiply the effect of driving down the U.S. dollar as it loses value, it will take more dollars to buy things with it. As companies and countries make more dollars from selling their products, debts become more easily serviced and paid off.

Does this mean there will be another round of inflation in the near future? Not at all. The spectre of inflation still lives in recent memory. And with our newliberal neo-reaction in monetary policy, the Wall Street of such higher interest rates—and therefore much higher inflation—is remote. Still, we are going to have to tolerate the wisdom about debt that business schools have been teaching. And, while congratulating Prof. Modigliani as his Nobel, we may go back to shopping for shares in low-debt companies, just as we used to.

Dean Cohen is a Montreal-based economics writer.





# Changing options in Quebec

After a private meeting with his cabinet last week in the austere grey government building known as the Bâtiment in Quebec City, Premier Pierre Marc Johnson placed a telephone call to Liberal Leader Robert Bourassa. Bourassa chimed loudly with Johnson, who tipped his political adversary to an important announcement he planned to make later that evening. Two hours later, the Parti Québécois premier strode into the ornate Salon Rouge of the national assembly and got right to the point at a news conference. "Ladies and gentlemen," Johnson said, "I have asked you here tonight to announce to you that there will be a general election Monday, Dec. 31."

With that declaration Johnson set in motion a campaign that promises to be one of the most remarkable comebacks since the PQ first campaigned in a general election in 1970 and made its founding goal of Quebec independence the prime election issue. The major difference now is Johnson himself. The new PQ leader, a self-described pragmatist, plays down the party's original independence objective to overt federalist as well as Quebec nationalist support. As a result, moderate voters are expected to dominate this campaign. At the same time, PQ strategists hope that Quebecers will prefer the fresh leadership of the 36-year-old Johnson—who succeeded former premier René Lévesque as PQ leader on Sept. 28—to that of opposition leader Bourassa, 52, who was elected in an almost blind during his two terms as Quebec premier from 1970 to 1976.

In announcing the election, Johnson—a former Quebec justice minister and son of the late Union Nationale premier Daniel Johnson (1960-1968)—called on voters to "take on the challenges of maturity." He added, "Quebec belongs to all Quebecers, regardless of their age, sex, language or culture." But he made no specific promises and he did not refer either to his party's policy of political independence for Quebec or his government's desire to reach a constitutional agreement with Ottawa. For his part, Bourassa told Johnson's that he will devote much of his campaign to attacking the PQ's "complete lack of economic credibility."

Although both Johnson and Bourassa are economic conservatives, they put company or important species. Johnson supports Prime Minister Brian Mul-



Johnson announcing election next week, counting on a Volkswagen campaign.

roy's journal of a free trade agreement with the United States as a means of increasing exports from the province. By contrast, Bourassa is wary of reducing protection for the province's footwear and textile industries. But Bourassa also favors more foreign investment, and he has proposed a massive \$25-billion expansion of the James Bay hydroelectric project in order to increase power sales to the United States.

But regardless of who wins, Quebec's new premier will have little room for economic manoeuvres. The province already has the highest rate of personal income tax in the country, and the budget deficit this year is projected to reach \$3.5 billion. As a result, both Johnson and Bourassa say that they expect the private sector, not government, to be the engine of economic growth.

"We must recognize the sometimes forgotten truth that the state can only redistribute income, not generate it," Johnson's advisers can take heart from the PQ's improved showing in recent public opinion surveys. In the latest poll, conducted by the respected Montreal firm Sonopac Inc. after Johnson won the party leadership, 50 per cent of the Quebecers surveyed said that they would vote for a Liberal, compared to the 41 per cent who supported the PQ. But that margin, while comfortable, was down sharply from the lead of 38 percentage points that the Liberals enjoyed last May.

Referring to the PQ's recent advance in popularity, Pierre Robit, the Liberal's chief organizer, declared, "There is a natural rise with a new leader. We have told our people to anticipate that." Many Liberals blame overconfidence, and a resultant lack of organization, for their last general election defeat on April 13, 1981, under Claude Ryan. But this time, and Bourassa, "we are as ready as we could possibly be." The party has \$3.5 million in the bank, and more than 80,000 of its 250,000 members have volunteered to work on the campaign. In addition, the party has commissioned several polls to isolate the concerns of so-called "swing voters" whose political affiliations could shift during the campaign. By last week the Liberals had chosen 114 of their 132 candidates. In the past month the party has also spent an estimated \$200,000 on

a slickly produced series of French- and English-language television ads, while Bourassa involved seven days a week on a grueling preemption tour that took him into every riding.

Liberal strategists have planned their campaign with military precision. A series of advance meetings will provide Bourassa with such news as he needs during the campaign. One of their tasks will be to prevent malfunctions in any of the three truckloads of sound and lighting equipment the Liberals are supplying in order to facilitate maximum television exposure. As well, organizations across the province are armed with a stout booklet binder entitled *First the prize* (It must be ready), which provides step-by-step instructions on everything from handling press inquiries to proper canvassing approaches. And Bourassa himself will visit most of the province in

party recalled him from political oblivion in 1982. But in spite of his worn and self-effacing appearance in public, Bourassa often still appears stiff and uncomfortable in public.

For its part, the PQ still lags far behind the Liberals in preparing for the election. After spending about \$500,000 on the leadership race, the party is now trying to raise \$2 million to fight the election. Johnson told supporters last week that the party must run "a Volkswagen campaign—meaning we must be inexpensive, efficient and lovable." But an equally important priority is to recruit new candidates. Almost half the 80 PQ members elected in 1981 have since resigned, quit the party or announced that they will not run again. At week's end, the PQ had chosen candidates in fewer than half of the province's 121 ridings. Party membership, although it has in-



Bourassa (left), Johnson using the party's election machinery.

been at 152,000 from fewer than 100,000 in late 1984, is still only half of what it was at its peak four years ago.

Despite these problems, PQ strategists are confident that the astute Johnson's smooth, self-assured manner will lead them to victory. Party campaign posters feature large photographs of Johnson posing with local candidates, while the party's familiar red-and-blue insignia is barely visible. And in an attempt to infuse the party with new blood, Johnson promised four unaffiliated people to cabinet posts two weeks ago, all of whom will run in the election. One, International Trade Minister Jean-Guy Parent, infuriated

a 40-year-old twin-engine airplane, returning to Montreal next night so that he remains accessible to major media outlets. Explained Robit: "Our belief is that there is no point in leaving anything to chance if we can avoid it."

Still, says Bourassa, conceding that his image remains a problem among some voters. During his six-year tenure as premier Bourassa was vilified for his pendling of such controversial issues as the 1970 October Crisis and his government's introduction of a restrictive language law. By 1982 there was also an embarrassing revelation that his government tried to negotiate a no-strike contract over 18 years with the Quebec Federation of Labor at the site of the James Bay hydroelectric project. Since then, Bourassa has worked hard to rebuild his base among ordinary citizens, an effort that paid dividends when his

once hard-line Plémeux last week when he told Radio-Canada that he is not interested in the independence movement and that he joined the party a month earlier only because of his respect for Johnson.

Indeed, much of the PQ's election strategy will be aimed at demonstrating that the party has shaken off its over-eggs, social-democratic roots. Said one party official: "We must convince voters that, as far as the economy is concerned, we have won. The voters' failure of that strategy will depend almost entirely on Johnson himself—a challenge he acknowledged last week. Said the premier with a smile: "You tell your kids I know that. It's an enormous bet, the kind of bet that no one will do better be successful."

—ANTHONY WILSON SMITH in Quebec City

# Taxing times for a novice government



Peterse (left), Nixon facing signs of an end to the political honeymoon

From the day he became Ontario's 26th premier last June, getting a 43-year-old Conservative dynasty, Liberal David Peterson has tried to give the government of Canada's most populous province a new look. Promising to rule "without walls or barriers," the 48-year-old lawyer has taken to greeting visitors to his office in shirt sleeves and his trademark red tie. To give substance to the open-door atmosphere, he proposed a freedom of information law and revised secret government, both commissioned by the Tories. Peterson told Maclean's, "We want to change government in this province forever."

The Liberal reforms were promptly dismissed as "cosmetic" by Conservative Leader Frank Miller, who was forced to step down as premier—and who will soon vacate his party's leadership—when Peterson's minority Liberals formed an alliance with the New Democratic Party after last May's provincial election. But Peterson's feckless approach seemed to work. The latest opinion poll gave the Liberals 67 per cent support, compared with 29 per cent for the Tories. Said University of Toronto political scientist Stephen Clarkson: "Peterson is the kind of pettinian people like—straight-on and clear-headed." But Peterson's pettinian bonhomie appeared to be in jeopardy last week when his government raised taxes and his war allies showed signs of discontent.

The tax increases were announced in a provincial budget brought down by Treasurer Robert Nason, who also eased government spending to \$28.9 billion from \$30.9 billion. Nason told the legislature that new taxes on fuel, tobacco and corporations, coupled with a personal income tax increase of two percentage points and a three-per-cent surtax on incomes over \$50,000, would add \$700 million to provincial coffers. The new money is earmarked to help pay for programs to fight youth unemployment, build new housing units and subsidize farmers. In response, Miller called Nason's figures "jazz-jazz." And the Leader Bob Rae said the budget was an "intimidating document."

Indeed, Peterson has been under growing pressure from the left to speed up promised reforms. Under the historic accord last May, the 25-member new caucus pledged to support the 48 Liberal MPs in the legislature against the Tories, who hold 61 seats. In return, the Liberals said they would delay calling another election for at least two years, ban extra-billing by Ontario doctors and legislate equal pay for work of equal value. But Peterson now says a

Rae, 'hoochies'



CLARKSON

busy agenda means he cannot guarantee action on extra-billing and equal pay before the end of the current sitting of the legislature, which begins Oct. 16 and is expected to run to the Christmas recess.

While clearly displeased by Peterson's cautious approach, Rae said "I will not put a grenade in my mouth and tell them to do this or I will pull the pin. But we will be keeping a close tally on them and we will draw a conclusion." For his part, Miller said the new was "hoochies" into supporting the Liberals "only to find the promises are not being kept." The Liberals, countered Peterson, have "made more decisions in the past 100 days than the Tories made in several years."

They have also made some blunders. In the government's most serious embarrassment, press reports revealed that Liberal officials had been "selling" access to the premier for as much as \$2,000 per person at private party fund-raising events. At the same time, during his first weeks in office Peterson won praise among Roman Catholic voters for pressing ahead with a constitutional measure, referred from the previous government, to extend public funding to Roman Catholic high schools. He has gained credit among labor unions and others for calmly stating Ontario's skepticism about Ottawa's proposal for free trade with the United States. Last week, on a three-day fact-finding trip to Washington, the Ontario leader repeated his doubts in talks with U.S. Labor Secretary William Brock.

Peterson has countered that he has been helped by the "total disarray" of his Conservative opponents. But that may change if, as expected, former treasurer Larry Grossman beats rivals Dennis Timbrell and Alan Page for the Tory leadership when the party gathers on Nov. 15 to choose a successor to Miller. The articulate Grossman, the runner-up to Miller in last January's leadership fight to replace former premier William Davis, could regain support from the same urban voters who fled to the Liberals in the May election and gave Peterson his chance to govern.

—STEVE KIRKHEAD  
in Toronto

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## The Liberals on stage

On the surface the plans for the meeting look relatively modest. When more than 1,000 federal Liberals convene in Halifax on Nov. 8 for a long-awaited conference on party reform, they will discuss proposals to alter the way the party recruits members, raises funds, drafts policy and holds conventions. But the issue delegates the most important issue will be one that is not even on the agenda: the future of party leader John Turner. Most of the potential re-placements for Turner planned active roles at the conference, the first major Liberal gathering since the party's 1984 electoral defeat. Among them former cabinet ministers Jean Chretien, Donald Johnston and Lloyd Axworthy, as well as Montreal businessman Paul Martin Jr. Declared conference co-chairman Jacques Gauthier, member of Parliament for the Montreal riding of Saint-Jacques: "We certainly won't allow the leadership issue to dominate the conference, but anybody with leadership aspirations would be a fool not to shake a lot of hands."

The 54-year-old Turner is not under any immediate pressure to surrender



Turner: questions behind the agenda

the Liberal leadership. For one thing, the earliest opportunity for Liberals to vote for a leadership review under party rules would be at the party's convention in November, 1986. Not only that, but the Halifax meeting will take place at a time when Turner's stock among local party workers and the 39 other Liberal members of Parliament appears to be rising. Both groups praise the Liberal leader for his tireless rebuilding work—an effort that during the past year has taken him to parish halls, receptions and fund-raising dinners across the country.

Privately, however, some senior Liberals say that if Turner fails to lead the party out of its low standing in opinion polls, demands for his departure will grow. A national Gallup survey conducted one year after the election of Sept. 4, 1984, when the Liberals won only 28 per cent of the popular vote, showed that the party was favored by just 29 per cent of respondents and trailed Prime Minister Brian Mulroney's Conservatives by 19 points. That was down from a July peak of 39 per cent for the Liberals, when they were seen as the party behind the Tories. At the same time, the nation's controversies surrounding Mulroney's government have convinced many formerly pessimistic Liberals that the Tories hold no power in weak-

ness and that, with the right leader, the Liberals might defeat the Conservatives after one term.

As a result, indications of dissatisfaction with Turner's leadership are increasing. Several prominent Liberals told Maclean's that a group of Liberal party members, including a Quebec senator, even approached former Liberal leader and prime minister Pierre Trudeau casually at a recent function in Montreal to ask whether he would be interested in returning as leader should Turner resign. Trudeau, the sources said, did not reply. However, one knowledgeable Liberal dismissed the importance of the approach, adding, "People go to Trudeau all the time to ask if he would come back."

Party strategists said that any major threat to Turner's leadership would likely be from Chretien, the runner-up in last year's leadership race. Those close to the former Liberal cabinet minister said that he recently came out of a long period of reflection determined to pick up the pieces of his political career. And Chretien says privately that he would consider another leadership run "if I were asked." Other potential candidates may also use the Halifax meeting to test the waters. Martin, 45, the son of former Liberal cabinet minister Paul Martin, will deliver a major speech on the party's fu-



Chretien: time to pick up the pieces

ture. He will also join Johnston—who finished third in the 1984 leadership race—in a panel discussion.

Chretien's chances could be enhanced if the delegates approve a plan to alter the way the party selects its leaders. One proposed new system, similar to one used by the Parti Quebecois in September to select its leader, would do away with the practice of holding leadership conventions at which only a preselected number of delegates can cast ballots. Instead, all card-carrying Liberals would be entitled to vote for the next leader. Analysts said that system could favor a populist candidate like Chretien.

Indeed, the goal of many of the proposed reforms that delegates will debate in Halifax is to place more power in the hands of the party's rank and file and take it away from the powerful backroom strategists who held sway during many of the Trudeau years. According to the authors of a report on Liberal party reform released in August, these changes are essential steps in rebuilding the party. But the report also notes that the leadership review process "falls into the category of a bomb we can use to blow out of us up together—it is not an instrument for frequent use."

—MICHAEL BOSTE in Ottawa

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## A controversial meeting

The project began in Ottawa as David Crombie's plan to encourage private enterprise among Canada's native people. Convinced that the key to progress in economic self-sufficiency, the federal minister of Indian affairs and northern development decided last spring to sponsor a national conference on native business this fall. The idea was to bring together native and non-native entrepreneurs to discuss business techniques and establish commercial contacts. But an interview and documents obtained by Maclean's reveal the ambitious plan ran into difficulty over the disputed role of private consultants hired to arrange the event, control of the projected spending—so much as \$2.7 million at one stage—and even a proposal to hire Chrysler Corp. chairman Lee Iacocca as a speaker.

As a result, Crombie's National Native Business Summit, as it is called, has been delayed by seven months to next June. And last week many details, including the summit's budget, remained to be settled. Said Cree businessman Albert Diamond, president of Creeco, a company that over-

sees Cree enterprises based in northern Quebec: "I ask the questions but I don't get any answers to them. I hate to say this, but it may be a waste of money."

Money has been a key point of dispute in the summit's planning. Private consultants originally organizing the event at one point proposed spending \$2.7 million on the five-day meeting.

**Consultants proposed spending \$2.7 million on the event and hiring Chrysler chairman Lee Iacocca as a speaker**

with 1,500 participants, at the Toronto Convention Centre. The plan included \$25,000 for a promotional video. Also included in the program was a plan to build a 40-foot high totem in the convention centre to house a trade show, as well as a proposal to bring 40-foot pine trees from Northern Ontario to create an indoor forest, complete with

examples. In September native advisors to Crombie's department demanded that "there be more substance than glitter in the programming of the event."

As a result, department officials said last week that they may have significantly scaled down the original plans and turned over complete control to the convention's three-member native executive and its board of directors. Said Ronald Dearing, Crombie's chief of staff: "This will be run by native people."

But controversy over the summit persists. Although the directors have recommended that the budget be cut by more than half—to \$1.5 million—some native leaders say they are still unhappy about how the money will be spent. The original proposal called for summit participants to attend marketing seminars and rub shoulders with top North American business leaders. According to William Marshall, a Toronto-based consultant whose company Crombie's department hired last spring to draft the proposal, a native producer of smoked fish would lead "the buyers from Glenora's fish to taste it." However, some natives criticized the program. Said Marshall after the board of directors began moving to scale down the event: "I don't

think we will be hiring Les Iacocca."

Indeed, Iacocca officials said that they were frozen out of the convention planning by the consultants originally hired to organize it. Marshall's Argyle Productions and two Ottawa-based firms with connections to native groups, Brown Communications Inc. and Onkashua Inc. (Dakota), Tony Belcourt, vice-president of Seneca and a member of the convention's board of directors: "It is not a departmental situation, so people in the department may have their noses out of joint."

But some departmental officials said that the real issue was patronage. They pointed out that Marshall is a close friend of Crombie and served as his executive assistant while he was mayor of Toronto for six years until he entered federal politics in 1979.

But Marshall, who has organized previous events such as Toronto's annual film festival, the Festival of Festivals, dismissed the charge. He added that his partner, Michael McCabe, has close Liberal connections. Argyle's contract to plan the conference, Marshall said, expired at the end of September, but may be renewed once the budget is settled.

Richard Marada, president of Onkashua Inc., also expressed concern about Argyle's role. In a Sept. 21 letter



Crombie's seven-month postponement

to Ray Louis, chairman of the summit board of directors, Marada stated that an early draft of the convention budget—never approved by the board of directors—included a planned payment of \$500,000 to Argyle Productions. Of that, \$150,000 was to cover management fees and the rest was to pay for staff hired to stage the conference.

Now, with costs likely to come under tighter control, several native organizations have decided to support the summit. Indeed, Marada himself declared that he is now "100 per cent" in favor of it. The project has also been endorsed by the Toronto-based Canadian Council for Native Business, which includes nearly 200 large corporations. Meanwhile, summit chairman Louis, a councillor of central Alberta's Suncor Energy, said that by demonstrating the business skills of natives the conference could "play a tremendous role in changing the whole attitude of stereotyping native people in this country." But another director of the conference, Chief of Banding of central Saskatchewan's Wahpeton Indian Band, declared, "If it backfires, it would leave a bad, bad taste—and we've had enough of that already."

—NARCUS-SEE in Toronto

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## A stripper's evidence



Mikl O'Neil

Shortly after Robert Goetz was charged as federal defensor assigned last February when it was reported that he had been in a West German strip bar while visiting the Canadian Forces Base at Lahr in late 1984, he launched a libel suit against the Ottawa Citizen, which first reported the incident, as well as the newspaper's owner, Southern Inc., and five of its reporters. Goetz, Tory MP for the Nova Scotia riding of Cumberland-Colchester,

claimed that the article was false and defamatory. Last week in Halifax, where evidence in the case was presented in a closed pretrial process known as examination for discovery, Southern's lawyers called in a West German stripper, Mikl O'Neil, who used to work at Tiffany's cabaret near the base in Lahr. A trial date is expected to be set by the end of December. O'Neil, who spent a day at the Halifax hearing, later told reporters that all the attention she was receiving made her "a little uncomfortable."

## The poverty line

Since a worldwide recession brought economic hard times and rising unemployment to Canada four years ago, more than 670,000 people have fallen below the poverty line. Fully 4.5 million Canadians—about one in six—are classified as statistically poor. That includes more than one million families and one-fifth of all Canadian children. Those grim figures were released last week by the National Council of Welfare, which presented its report to federal Health and Welfare Minister Jake Epp. Based on a Statistics Canada survey of 35,500 families across the country in 1984, the council concluded that "poverty is on the increase in the 1980s" despite the economic recovery of the past 2½ years. The report used Statistics Canada definitions of poverty, which include a single person living in a city of more than 500,000 who earned less than \$9,600 last year and a family of four with an income below \$20,010. Questioned about the figure, Finance Minister Michael Wilson said the Conservative government planned no specific new programs to fight poverty. But he said his May budget was designed to help the poor and referred to net increases of 304,000 jobs since Prime Minister Brian Mulroney took power in September, 1984. Said Wilson: "We have launched an up-front attack on poverty by creating jobs in this country."

## Clearing the Seaway

When a 46-in slab of concrete slid from the wall of Lock No. 7 in the Welland Canal on Oct. 14, it shrapnel shipping "throughout the entire 3,750-in St. Lawrence Seaway during its peak season. A week later 40 ships and barges were trapped in the seaway, putting their owners as much as \$25,000 a day. Complained Raymond Ladouce, president of Canada Steamship Lines Inc., which had 13 ships caught in the system. "The Seaway authority has kept us totally in the dark." But last week the authority announced that the system would reopen to traffic on Nov. 5. Officials also said that the shipping season would be extended past its sched-

uled Dec. 16 closing to allow ships to make their final runs before the winter freeze. Still, at least one company, General Motors Corp. of Detroit, decided last week not to wait for the reopening and arranged to ship metal parts from Japan through New York state's Erie Canal. Meanwhile, Transport Minister Don Menzies said that it remains open to the possibility that the seaway authority has not properly maintained the waterway, parts of which are 50 years old. Said Kenneth Ludlow, operations director of the Seaway's western region: "When things were running smoothly, nobody paid any attention to us. But the accident has put us in the spotlight."

## A new man for the North

During his 10-year career as a member of the Northwest Territories' legislative assembly, Kirk Sibbesson gained a reputation as a passionate defender of native rights. The Métis lawyer once threw a coffee cup at a fellow member who heckled him and, on a separate occasion, he punched another in the jaw. To emphasize the changing character of the legislature, in which natives now outnumber whites 44-50, he often wore a beaded vest in the chamber and persuaded the government to decorate its walls with tanned furs and moosecar tufts. But Sibbesson, 42, who has served as local government minister since last year, was wearing a new, dark-like three-piece suit when he entered the legislature last week. The occasion was appointment to the territory's third government leader. Chosen by the legislative assembly to replace native leader Richard Noyce—who was dropped in a biennial leadership review the previous week—Sibbesson pledged to increase the powers of the elected officials. As a first step, he said he would take over the improbably important department of personnel from Commissioner John Farber, the Ottawa-appointed overseer who can still veto council decisions. Said Sibbesson: "I want to confirm to people that the executive council and the elected members are truly the government of the people."

## Mixed smoke signals



Epp: Inconsistency

When federal Health Minister Jake Epp launched a \$1.5-million advertising campaign last week against cigarette smoking by teenagers, he acknowledged that there are contradictions in government policy toward tobacco. Just a week earlier federal Agriculture Minister John Wise had announced an expenditure of 60 times as much money to promote tobacco production—\$90 million in tax-free payments to tobacco farmers. The money will allow the growers to store their crops while they wait for better tobacco prices. Said Epp in announcing the anti-smoking campaign, based on television commercials styled after rock videos: "All of us recognize there are inconsistencies." But he added that the war against smoking "absolutely cannot" be fought against tobacco farmers, who need (fire to adjust) to a decline in their market. About one-third of Canadian smoke, compared with more than half 25 years ago, and demand for leaf tobacco has dropped by 30 per cent. In the past year alone, smoking producers estimated as a result revenue of \$3 billion—but is estimated to cost \$6 billion in health care.

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# The United Nations 40 years later

On Wednesday morning at the corner of Manhattan's Third Avenue and East 46th Street, innocent driver John Giannakouras and his grey Chevrolet suffered a severe case of what New Yorkers call "taco lack." Giannakouras, trying to get home after working all night behind the wheel, was hit by thousands of Manhattan motorists who last week became victims of the 40th-anniversary celebrations of the United Nations. As world leaders converged on the city, police barricades threw up as part of massive security around the UN's 38-acre complex along the East River left traffic hopelessly stalled. The traffic seemed somehow apt—presented by an organization that for four decades has inspired frustration alongside idealism. Even an impatient Giannakouras wondered about the purpose of it all: "The Middle East, how many years have they been fighting there? And what about Cyprus? They're supposed to be better than that."

The same message was carried into the UN General Assembly by many of the presidents and prime ministers, generals and princes who celebrated the anniversary with oratory and parties. Mixed with the sometimes scented orations of the festivities was a harsh assessment of an experiment that has fallen far short of its extraordinary promise. As the celebration reached its climax on Thursday, the 40th anniversary of the UN charter's implementation, New Yorkers could scarcely avoid the contradictions: parades of luxurious limousines taking world leaders to make speeches condemning world poverty and utopian plans for peace delivered behind a wall of some 8,000 New York City police, rooftop searchlights and 1,400 secret service agents. Still, instead of Stephen Lewis, Canada's UN ambassador, the focus is not a movement to

hypocrisy. "I think governments mean every word of it," he said.

Indeed, for all its flaws, few leaders were willing to write off the UN. Although it has often failed to prevent wars, the UN—and its 58 member agencies, which deal with everything from peacekeeping to drug abuse—has scored remarkable success in other fields, notably in relief programs for

a club of 51 members, mostly white and dominated by Western democracies. Today it has 159 members, the majority nonwhite developing countries, many of them dictatorships. The decline in U.S. influence has been dramatic. Figures compiled by the U.S. state department during the last General Assembly found that the 59 member nations not formally aligned with either superpower voted the same way as Moscow 66 per cent of the time.

With both major powers increasingly reluctant to justify their actions at the General Assembly or in the 15-member Security Council, UN leaders have sought ways to reduce the polarization between Moscow and Washington. One proposal boost the influence of middle powers, such as Canada and Brazil. A recent article authored by Canada's Maurice Strong, the UN's African emergency operations co-ordinator, and Iran's Prime Minister Rafsanjani Agn Khan, former UN high commissioner for refugees, suggested that middle powers could play a more active role by paying a larger share of the UN's \$776-million (U.S.) annual budget. They proposed limiting any country's assessment to 30 per cent. Currently, the United States pays a disproportionate 25 per cent of the UN budget, although it has served notice that it will reduce that to 20 per cent unless it is accorded greater say in financial matters (Canada's contribution is \$23.5 million—the eighth-highest—which amounts to 3.1 per cent of the budget).

The Strong-Rafsanjani article also urged a drastic streamlining of the defense UN agenda, which it compared to "an octopus walking in every direction at once." Indeed, the 147-item agenda before the UN last week resembled the traffic-jammed streets of Manhattan. Such disorderly things as apartheid in South Africa, the Arab-Israeli conflict and the arms race vied for time with only slightly more recent problems—Soviet troops in Afghanistan and continuing over U.S. interventions in Central America.

In the face of all that confronts the world body, said Prime Minister Brian Mulroney in his maiden speech to the Assembly, it is easy to see the United Nations as powerless. But echoing a theme repeated by prime ministers and dictators alike, he added, "It is, nevertheless, all we have."

—KEN MACQUEEN at the United Nations



Secretariat building in New York, revived problems

natural disasters and refugees. Even U.S. President Ronald Reagan—whose administration has assailed what it considers the UN's anti-American bias—was contributory. Said the President at a luncheon hosted by Secretary-General Javier Pérez de Cuellar: "We have never stopped believing in its possibilities."

Among the myriad problems bedeviling the UN is middle age in the attention of the majority of members from the organization's birth and primary benefactor. When the UN's charter was signed in San Francisco in 1945 it was

# RESIST THE USUAL

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## Facing the 'catastrophic'

From every quarter the sustained attack on South Africa's white minority government intensified last week. In the Bahamas the leaders of 48 Commonwealth governments emerged from a seven-day conference after agreeing on voluntary sanctions designed to exert pressure on Pretoria to abolish apartheid. In London, South Africa's bankers failed to an appeal to 36 member banks for help in reaching more than half of the nation's

steria and a ban on the sale of Krugerrand gold coins and on the funding of trade missions.

The compromise allowed all parties to claim a degree of victory. Thatcher, anxious to preserve Britain's \$10-billion annual trade with its former colony, successfully rebuffed efforts to draft mandatory sanctions. The protesters' actions—many of whom spoke out at a time when economic boycotts would help avert "a cata-



Rioters setting up roadblocks in Cape Town, keeping the pressure on Pretoria

strophic explosion," in the words of Zimbabwe's President Kenneth Kaunda—emerged with a document that kept the pressure on Pretoria. And the Commonwealth itself managed to maintain a veneer of consensus on an issue that had threatened to tear it apart. "Obviously," said Zimbabwe's Prime Minister Robert Mugabe, "more far-reaching sanctions [would have been preferable]. But this is a beginning."

The conference also agreed to appoint a committee of "respected Commonwealth persons" whose would press Pretoria and black South African leaders to begin negotiations. Among the names proposed for the panel were P. W. Botha, the South African Prime Minister, and Margaret Thatcher. The committee did not appear in the final communiqué—has in fact already been adopted by most Commonwealth members. The achievement lay in persuading the Thatcher government to accept additional to anti-apartheid actions. The new undertakings include a prohibition on new government loans to Pres-

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## A nation under siege

The announcement was terse and unsettling in a sense that it only now became accustomed to democracy after years of military dictatorship in Buenos Aires on Friday, Interior Minister Antonio Trótski proclaimed a nationwide state of siege for 60 days because of "the pervasiveness and the worsening of the isolation of violence" in Argentina. The emergency law, which permits arrest without trial, was invoked to deal specifically with a recent outbreak of politically motivated bombings, Trótski said. Since late September there have been at least 15 bombings—and hundreds of bomb threats—including an explosion last week outside Trótski's country home. Officials in President Raúl Alfonsín's administration said that they were concerned that right-wing extremists were trying to destabilize his 20-month-old government.

—*Los Angeles Times, Oct. 10, 1985* (also quoted only the previous evening by Trótski) that he could not invoke the emergency law, his announcement reminded many of those of the bunk state of siege that prevailed under mili-



Alfonsín: a foe against lawlessness

itary rule between 1955 and 1983, when several constitutions were common practice. But Trótski pledged that his actions would not postpone congressional elections scheduled for Nov. 3.

Most political leaders supported the strong measures. Indeed, Alfonsín had tried unsuccessfully to use less extreme measures earlier. Following the blast outside Trótski's home last Monday—no one was injured—police arrested 32 civilians and military suspects. Officials said that the detainees had formed a "conspiracy to use violence against democratic institutions," and Alfonsín ordered the suspects held for 60 days. But late on Thursday a judge ruled the detention order unconstitutional. The president, said Judge Roberto Horacio, could only order detention without recourse to the courts by imposing a state of siege.

The ruling led Trótski, who is responsible for internal security, to retract his vow not to impose a state of siege—and to set aside an election pledge by Alfonsín's center Radical Party to repeal the emergency law altogether. Still, many Argentines opposed to extremist politicians, like last night, activist Herman Schiller said curtly: "Democracy involves risks for everybody."

—*DONALD TWISSDALE in Buenos Aires*

## Pursuing a wary rival

When Italian President Francesco Cossiga met caretaker Prime Minister Bettino Craxi last week, their encounter was a replay of recent history. Just as he had 20 months ago, Cossiga gave Craxi a mandate to build a government as a precursor to the same five-party coalition that collapsed on Oct. 17 following the Achille Lauro controversy. The political crisis had been sparked by objections from Giovanni Spadolini, former defense minister and leader of the Republicans Party, over Craxi's handling of the hijacking of the Italian cruise ship by Palestinian terrorists.

As negotiations progressed last week, it seemed likely that Craxi would return to power. Like other coalition partners, Liberals, Christian Democrats and Social Democrats, agreed to reunite with the prime minister's Socialists. But Spadolini would not join the governing coalition. An Craxi flew to New York to attend a summit of Western leaders, Spadolini declared that "political knots" remained untied. Craxi's coalition have traditionally been unstable—there have been 11 since



Craxi: a replay of recent history

1963—but Craxi's was the first to fall because of a foreign policy dispute. In the current impasse Spadolini said that Craxi had weakened Italian policy too heavily in favor of the Arab world at the expense of Israel. He demanded a more balanced approach, as well as more consultation with coalition partners during crises like that of the Achille Lauro. A confident Craxi discounted Spadolini's objections, terming them "not of a nature to prevent reestablishment of the coalition."

Indeed, most analysts said that they expected Craxi to lead the next government. Despite U.S. criticism of his government's decision to release Palestinian Mohammed Abul Abbas, the alleged mastermind of the ship's hijack, Italian opinion is rallied to Craxi's support. Indeed, many were offended by what they saw as Washington's meddling in Italy, as though it were an arrest colony. And most of them appear to endorse Craxi's tilt toward the Arab world. When negotiations resume this week, the Republicans will likely face strong pressure to unite the political scene with supporters of Craxi. Craxi's ability to influence Italian policy, observers noted, will be far greater inside the cabinet than out.

—*LARRY MYRTLE, with correspondence by AP*

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## Testing the generals

With its gentle climate and year-round greenery, Guatemala has often been called the land of eternal springtime. But within that tropical splendor an ugly tradition of military dictatorship has taken root, marked by death-squad killings and corruption. Even as they prepared last week for a Nov. 16 election that will select

the nation's first civilian president in 19 years, many Guatemalans said they doubted that the pledge of a free ballot would result in a return to democracy.

"It will be a positive step to have a legitimate government produced by the will of the people and not by a coup," said Archbishop Próspero Padua del Barrio, "but I fear that the army will

be the real power behind the throne." That widely shared concern led all eight presidential candidates to distance themselves from the military junta led by Gen. Oscar Humberto Mejia Victores and accused of political violence and economic mismanagement. But the politicians seem uncertain how to maintain independence from the 20,000-man armed forces after the election. Sold lawyer Vinicio Cusco Arevalo, the 48-year-old Christian Democratic contender, "The real work will be to diminish the power concentrated in the armed forces."

In fact, ever since a CIA-inspired coup toppled the last general democratic government in 1954, the military has allowed only its own hand-picked candidates to lead the government. And on several occasions military leaders have unseated their own presidents. But now Mejia Victores reasons openly that relinquishing power to civilians is the minimum requirement for securing desperately needed foreign aid.

By Guatemalan standards pre-election violence has been slight—a vivid contrast to the military's brutal campaign to counter left-wing insurgency. Three years ago a rebel force claimed 6,000 members and controlled huge areas of the countryside. But a fierce offensive ordered guerrilla numbers by half and pushed the rebels into remote highland strongholds. The cost, according to human rights officials, at least 20,000 people killed because they were suspected of harboring guerrillas.

The junta has had less success in trying to revive the economy. Most of the wealth is held by a few powerful families, and most of those who make up the nation's Indian majority live in poverty. Since the late 1970s the gulf between rich and poor has widened. Almost half of Guatemala's \$12 billion in annual export revenues goes to service its \$2.5-billion foreign debt. Inflation has surged above 40 per cent a year, and almost half the work force is either unemployed or underemployed.

Apart from the Democratic Socialist Party candidate, nearly all of the presidential candidates are right of center. The probable winner is Cusco, a lifelong political activist. His closest challenger is weekly newspaper publisher Jorge Carpio, 58, who heads the business-backed Union of the National Centre. But no candidate seems committed to what Archbishop Próspero Padua calls Guatemala's urgent need—land reform. And one Western diplomat "Politics are so far to the right that Africa the thus would be labeled a Secret Democratic here." But Padua declared, "Things aren't going to change much, but you have to start somewhere."

—ERIC HANDWER in Guatemala City

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Peers of the United Nations, Hussein (above) moving in the same direction

#### THE MIDDLE EAST

## Jordan's PLO challenge

**T**he Palestine Liberation Organization rejected the speech as "a second Camp David," a reference to the 1978 peace treaty between Egypt and Israel. His own colleagues in Israel's Labor-Likud coalition government said that Prime Minister Shimon Peres's United Nations address last week had broken with the basic policy lines of the coalition and "endangered its existence." But the key response—from Jordan's King Hussein—was more encouraging. Calling Peres "a man of vision," Hussein declared: "There are many points that present serious problems for me, but I certainly applied the spirit."

Peres crafted his speech—which every Arab nation except Egypt boycotted—to the UN General Assembly with great care. The address was designed to break a fundamental stalemate at the heart of the 27-year-old Arab-Israeli conflict. Peres offered direct Israeli-Jordanian peace talks within 30 days at any location. Real working groups from both sides, he added, could establish the agenda, procedure and international support for comprehensive negotiations. Although he excluded the PLO from these discussions, Peres said that Israel would accept Palestinian negotiators as long as they represented "peace not terror."

To meet Jordan's insistence that the talks be conducted under international auspices, Peres proposed that the UN Security Council endorse the negotia-

tions without participating directly. And experts said that he had also gone as far as his Israeli prime minister ever has in indicating Jerusalem's readiness to tackle the central issue of the Palestinians. To that end, Peres said that the talks could "deal with the demarcation of boundaries as well as the resolution of the Palestinian problem." With that, he offered Hussein and the Palestinians living on the occupied West Bank of the Jordan River land in exchange for peace—the same formula that produced the Camp David accord.

The Peres initiative added a new element to what has become an urgent reengagement of the peace process by the moderate Arab world. The hijacking of the Achille Lauro cruise ship last month by a PLO faction—and Britain's refusal to meet two high-ranking PLO officials after they refused to sign a document recognizing Israel within its pre-1967 borders—has, as Hussein put it last week, "adversely affected the image of the organization. Declared King Hussein, 'The Palestin-

ian cause has suffered some serious setbacks. There are a lot of things on my mind which need

to be cleared up once and for all." The central issue, observers say, is whether Hussein is willing and able to commit himself to negotiations with Israel without PLO chairman Yassir Arafat. Last February the two Arab leaders signed an accord calling for the creation of a Palestinian state on the West Bank, in consultation with Jordan. Last week in Amman, Hussein met secretly with Richard Murphy, the Reagan administration's Middle East envoy, and he held a one-day meeting with Egyptian President Hosni Mubarak. Hussein is scheduled to meet Arafat in the Jordanian capital early this week.

As well, Hussein edged closer last week to restoring diplomatic ties with Syria—severed by Damascus in 1986. The rupture took place after Damascus accused Jordan of aiding the Mojave Brotherhood, an Islamic sect dedicated to assisting the secular regime of Syrian President Hafez al-Assad. Meetings between Syrian and Jordanian diplomats in Saudi Arabia last week produced a three-point communiqué that conspicuously omitted mention of the PLO. In New York, Peres said that if Hussein and Assad had reached an agreement "that means Jordan has concluded that the PLO is not a suitable negotiating partner." The reason, Assad, who personally drafted Arafat, would refuse diplomatic support to any Arab leader associated with the PLO chairman.

Murphy's mission to Amman was intended partly to investigate Hussein's reaction to the Peres speech. Not only that, he was expected to advise the king that President Ronald Reagan had bowed to intense pressure to accept a U.S. Security Council postponing action on the administration's request for \$1.9 billion in weapons for Jordan. Had Reagan resisted, the bill allowing for the sale would have been defeated in Congress. Rather than deliver that absolute rebuff, Senate Republicans fashioned a compromise measure, deferring a decision until next March.

Still, it was a mere drop of optimism. Hussein praised Peres, was praised in return, and the state department cited "sustained magnanimity" toward peace. The challenge now will be whether traditional enemies can convert those positive developments into direct negotiations.

—MICHAEL POSNER is  
familiar with comprehending  
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After seven years with Second City, the comedy troupe that specializes in improvisation, actress **Andrea Martin**, 35, now says that she has never found the task of creating her own material. Declined the Portland, Me., native who has lived in Toronto for 15 years. "I like saying the words once they're written, but the challenge of writing my own stuff is frightening and lonely." However, she added: "Now I feel comfortable with other words. Improvising while rehearsing a scene may be just changing 'and' to 'but'—but it makes you feel better." Martin wrote much of her part as a nervous urban housewife trying to save her marriage in her last single feature film, *Club Paradise*, a satire starring **Peter On'Loan**, **Robin Williams**, **Rick Moranis** and **Twiggy** scheduled for release in June, and she is helping to write several film and tv productions, including next week's *June Awards* show, which she will co-host with *Saturday Night Live*'s **Martin Short**. Martin sold up-and-comers participating in a show-business seminar (called "Seminar") in Toronto last weekend. "They think about what you want to be, think about what you want to do."

As an estimated 20 million viewers watched **Britain's Dams, Princess Diana**, told *Independent Television News* anchorman **Sir Alan**

**Talbot** last week that she was not a "shopaholic." She said that while on tour with **France Chateau**, 36—they arrive in Washington next week—she changes clothes four or five times a day. Declined **Diana**: "I couldn't go around in a leopard skin." Dressed in a simple spotted dress, the potted pomegranate fended questions about gossip in the press. She said that contrary to rumors she has never dated, but seems daily. "Maybe I'm so nervous because I take so much exercise," she said. For his part, **Charles** admitted "I'm becoming more eccentric as I get older." Later the press found it odd in political difficulty when a remark he made at a dinner party was reported in the British press. Reports said **Charles** had described the recent monetary crisis in Britain as a "bug from the heart" and said that more money should be spent there.



Andrea Martin changing 'and' to 'but' and 'be' to 'do'

**Billy Dee Williams**, 48, star of stage (*I Am a Doctor*), screen (*Return of the Jedi*) and TV (*Brian's Song*), who was once nicknamed "the black **Clark Gable**," said last week that he will not accept acting roles that are offered to him just because he is black. "Besides, I'm not black, I'm brown," declared **Wil-**

Charles and Diana: 'more eccentric' and 'so nervous'



**liam**, an open lover, painter and art collector who describes himself as an "eccentric 21st-century being" and whose racial background is a mixture of North African, West Indian, North American Indian, Chinese, Welsh and Irish. On location in *Beasts Having the Right of the People*, an action film in which he costars with Canadian **Michael Ondaatje** (Molson Beer), Williams said that the producers of *Beasts* "begged me to take a part but I didn't want to." Born William December Williams, he says that he would like to produce and star in a period swashbuckler based on the life of French artist **Antoine Doinville**—father or son or even grandfather **Dumas**, who was a brilliant general under Napoleon. Added Williams: "Few people know that there were three famous generations of **Dumas**—and that they were relatives."

He says that he is "not as young as I used to be" and that he suffers from a hearing problem, but the University of Toronto's student union and literary critic **Walter Frye**, 73, declares, "I don't feel particularly frustrated in my work." The same cannot be said for Frye's secretary of 35 years, **Jane Widdicombe**, who in 1981 lost a few paragraphs of Frye's literary criticism of the Bible, *The Great Code*, while entering part of it into a new word-processing system. Said British-born Widdicombe, 42: "It was a terrific system, but I was the first one to use it and I ran into all sorts of problems." She says she now has a simpler line-editing system that she used to enter Frye's latest book (working title, *Frye on Shakespeare*, now at the publishers) and which she hopes will cope with the sequel in *Code* (working title, *The Great Code*) currently in progress. But she still has trouble keeping up with the prolific professor, who types at 120 words per minute as his own *Scientific II*. Said Widdicombe last week: "The volume of work certainly hasn't slowed down over the years. If anything, it has increased." For his part, Frye declared, "I have no reason to suppose I will ever cease to the end of my production life."

—Edited by MARY NELDER

# INTERNATIONAL COOPERATION IN DEFENCE TECHNOLOGY



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Oerlikon Aerospace assembly and engineering plant and an ADATS site will also be established in Canada. Additional employment will be created in the operations of the members of the Litton-Oerlikon LLAD Team and their many suppliers. These Canadian companies will assure life cycle maintenance and the further development of the system. So ADATS becomes a real Canadian system based on technology sources.

# Litton-Oerlikon LLAD Team



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## SHARING NEW TECHNOLOGIES

by CHRISTOPHER TRUMP

**I**t was Archimedes, the inventor of Ctesibius's water clock, who once observed "give me a place to stand and I can move the world." It is meant in connection with the lever used to move heavy objects. His theme of making stronger levers than those has equal relevance today when we consider the ways in which advanced technology provides us a global scale, whether in defense or in space. Complex technologies tend to be ideas whose time has come. Consequently, they involve the knowledge and know-how of many nations as they are brought to fruition.

Consider Europe. The aerospace consortium Panavia drew on the best and brightest in Great Britain, West Germany and Italy to produce the Tornado jet fighter.

Consider Canada. The inter- and search-and-target designation system, or RSTD, for use by the navies of Canada and the United States represents the largest contract ever under the U.S.-Canadian Defense Production Sharing Agreement. The program will see three prototypes completed for both navies by 1985.

Or again, the pending program to defend Canadian forces in Europe against low-level air attack. The system must provide split-second detection of the threat and warn, identify, designate, design, develop and construct will involve Canadian industry as a major player in an international team. More, its potential will be applicable to all NATO forces and holds the promise of major future contracts.

Advanced technology moves toward the state-of-the-art, while at the same time providing high quality employment. At its best, it is shared to maximize those benefits, as well as to reduce costs for any one nation.

These opportunities are perhaps best demonstrated in the space program, beginning with Canada's entry into the first nation to place a satellite in orbit in 1962. The Alouette, the brainchild of the late

Dr. John H. Chapman of the Ottawa-based Defence Research Telecommunications Establishment, was designed and built in Canada. Its mission was to gather vital data on the ionosphere—an electrically-charged layer of the atmosphere vital to Canadian communications in remote areas. The United States provided launch services. No money exchanged hands: each both Canada and the United States shared in the data which, in turn, led to the publication of some 300 scientific papers.

Canada's first domestic communications satellite were built in the United States. But thanks to a national space industry fostered by Dr. Chapman, the Anik D, launched in 1982, was built in Canada. In that same year a milestone contract was signed by Canadian Avionics—Spacopac with significant support from SEC Systems of Saskatoon and Telesat Canada—to build the first domestic satellite system in Latin America.

Brasilsat was launched in February of the year. Yet by the time it was orbiting, Brazil's crews were assembling the ground station built at Guaraná, Brazil, having been trained in Canada not only in the operation of the satellite system, but in how to construct this sophisticated equipment. Such international cooperation means that in the not too-distant future Brazil will have its own space industry and will likely join with Canada in future projects in the global marketplace.

It hardly affords any lessons it is that the more advanced technology is shared, the greater the benefits to all touched by it—in advanced knowledge, enhanced employment and a higher standard of living. Conversely, technology closely held—to the exclusion of others—is the route to stagnation. Witness the condition of China, which having acquired guns and printing, sealed its borders. Its economy atrophied in a medieval time warp until it emerged once again into the international arena in the latter part of this



The first domestic communications satellite for Latin America, Brasilsat, is being built by Spacopac at its Anik plant, St. John's-St. Lawrence, Quebec.

century.

Perhaps no finer example of shared technology in the current construction of the Alouette VI, a massive communications satellite to serve worldwide needs after 1986. It will have the capacity to carry more than 80,000 telephone conversations simultaneously across great distances. Sixteen nations spanning five continents are involved in its construction—the United States, Canada, Great Britain, France, West Germany, Italy and Japan. All contribute to the endeavor and all will benefit from its use.

Put simply, global cooperation in advanced technology is worth the effort. In space it brings the world closer together through communications and the next great adventure of the manned space station. In defense, it shares the knowledge and spreads the burden of making the world a safer place.

CHRISTOPHER S. TRUMP is vice president and executive assistant to the chairman, Spacopac Limited.

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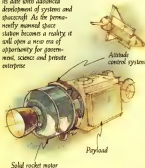
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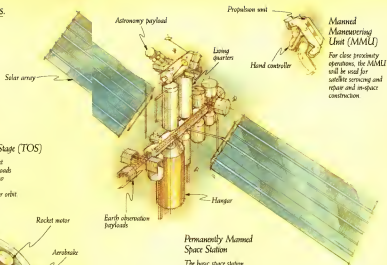
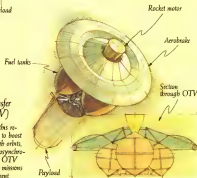


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- automatic flight inspection systems for permanent installation or in a new portable



version for the precision calibration of instrument landing systems and en route navigation aids.

- production of the much publicized inertial navigation systems for the Cruise missile.

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# SUPPORTING CANADA'S NATO COMMITMENTS

*A policy of collective defence defines industry's role*

**C**ollective defence—effectively the pooling of national resources with other like-minded countries—has provided the cornerstone of Canadian foreign and defence policy since the end of the Second World War.

In partnership with allies in the Atlantic Alliance (Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Turkey, the United Kingdom and the United States), Canada has supported a doctrine which seeks to deter aggression by maintaining adequate military strength. At the same time, however, the members of the North Atlantic Treaty Organization (NATO) have actively sought verifiable arms control and disarmament agreements.

Canada's chosen to reject neutrality or non-alignment in favour of collective defence and participation in the North Atlantic Treaty Organization has necessarily had a powerful impact on its armed forces. This impact was perhaps most readily apparent during Canada's military buildup of the early-to-mid 1950s. The buildup, which was unprecedented in peacetime, produced a modern, well-equipped defence establishment of considerable size and complexity.

The decision to station Canadian military personnel in Europe, in particular, also was a new departure. The Canadian contingent in Europe was to include a perpetually well-trained and well-equipped infantry brigade group from the army and, from the air force, a four-squadron Air Division. Equipped with late-model fighter aircraft, the Air Division represented a large and important contribution to the air defence of Western Europe. A variety of home-based forces, including the bulk of Canada's rapidly growing navy, also were given NATO assignments.

At the same time, strenuous efforts were being made to build up the air defence of North America. These efforts, which ultimately culminated in the creation of a joint North American Air Defence Command (NORAD) with the United States, included a large token of

on-going repair, overhaul and other support for the Canadian Armed Forces. In 1959, however, the cancellation of the Avro Arrow fighter aircraft showed just how difficult—and expensive—it was to maintain indigenous design capabilities.

Although the NATO commitments continued to provide the cornerstone of Canadian defence policy throughout the 1960s, a major foreign policy review at the end of the decade reduced their relative importance. This Canadian contingent in Germany, for example, was reduced in strength by some 50 percent. Although Canada acquired new "fly-over" commitments to NATO's northern flank (primarily, relatively limited defence spending during the early 1970s made it increasingly difficult to maintain a modern defence establishment).

In 1975, however, a second defence review restored NATO's historical role as the cornerstone of Canadian defence policy. The related decision to launch a thorough military modernization program reflected a number of considerations.

Foremost among these was the view that Canada, as a member of NATO, had an obligation to carry a fair share of the collective defence burden. At a time when the conventional balance of power between East and West seemed to be tilting away from NATO, this argument was doubly persuasive.



Canadian Forces Photo.

Canada-designed anti-aircraft and

and a series of radar warning lines.

Peace-keeping operations under the flag of the United Nations and such important domestic duties as search and rescue and disaster relief rounded out the responsibilities of a very busy and decidedly far-flung defence establishment.

During the 1950s, equally strenuous efforts were being made to promote Canadian self-reliance in the development and production of selected military hardware. This approach generated consid-

Canadian Forces' Leopard tank rolls through a West German village. Switzerland recently has acquired the latest model from West Germany.



The CF-18 fighter aircraft at Canadian Forces Base Baden-Söllingen, West Germany—a requirement for a modernized air defence system to protect very sophisticated and expensive resources.

The 1975 review led to a series of well-publicized defence acquisitions. Included in this list were Aurora long-range patrol aircraft from the United States, Leopard tanks from the Federal Republic of Germany, CF-18 Hornet fighter aircraft from the United States, and Panavia light armoured vehicles from Switzerland. The latter were built under license by the Diesel Division of General Motors of Canada in London, Ontario.

More recently, the modernization program has included air patrol frigates for the navy, a new radar network in the far north and a host of smaller acquisitions ranging from torpedoes to search and rescue helicopters.

The Canadian defence establishment, although still relatively small in terms of manpower (approximately 63,700 salaried regulars and 23,800 part-time reservists), has received a considerable amount of new equipment as a result of the 1975 defence review. The extensive backlog of old equipment and the cost of modern equipment, however, has necessitated a long-term replenishment program. Some branches at the armed forces are consequently much better

equipped than others. One area of particular concern is low level air defence. Low level air defence, as the name suggests, is concerned with the protection of both "lead" installations such as air bases, and mobile formations, such as army infantry and armoured units. In the absence of credible low level air defence, both could be devastated by ground-attack aircraft armed with guns, bombs, missiles or a variety of other weapons. Well-armed helicopters are another potential threat.

Canada's current low-level defence systems, however, are of very limited effectiveness. Indeed, it is no exaggeration to suggest that Canadian ground forces and air bases in Europe are hardly vulnerable to air attack. The Lahr and Baden-Söllingen air bases in Germany, for example, are currently protected by old 40-mm "Bofors" guns—left over from their World War II counterparts—and somewhat newer, but still inadequate, "Blowpipe" surface-to-air missiles.

The "Bofors" guns, which were previously installed on Canadian naval vessels, were reclaimed from storage in the

early 1970s. These systems do not come close to providing adequate protection for the expensive CF-18 Hornet fighter aircraft which Canada is supplying to Europe. "Blowpipe" is a relatively light shoulder-launched weapon with a number of significant limitations, also is utilized by the Canadian mechanized brigade group which is stationed in southern Germany.

To protect these locations and units—and the army brigade group which is stationed in Canada but assigned to the defence of northern Norway—the Department of National Defence launched the Low Level Air Defence (LLAD) program in 1982.

A \$305 million undertaking, the LLAD program has touched off an intense competition involving the leading international suppliers of LLAD systems and their Canadian partners and subcontractors. In April of 1984, for example, an industrial bidding session in Ottawa drew 162 representatives from 37 companies in 12 countries. The seven major bids which were received by August of 1984, included bids from suppliers in the Federal Republic of Germany (France, Italy



Canadian expertise: computer control and instructor's station, foreground, support for the CF-18 fighter simulator, background, manufactured by GAE Electronics Limited, Montreal.

Sweden, Switzerland, the United Kingdom and the United States. After a hard fought competition, a "shortlist" of finalists was announced on May 6, 1985. The finalists, who are offering a technically diverse mix of solutions to the Canadian LLAD requirements include Rolan Danabane of Sweden, Contrave AG of Switzerland and Machine Tool Works, Griesheim-Bühlle of Switzerland.

Switzerland's prominence on the shortlist—and the expense of formidable competitors from other European countries and the United States—may surprise many Canadians. In point of fact, however, Switzerland has a defence industrial sector which is both highly developed and highly successful. A defence industry with acknowledged world-class expertise in air defence systems, light armoured vehicles, training aircraft and a variety of other technologies, it has made extensive strides in the international marketplace. The Swiss defence industry also provides a significant percentage of the equipment operated by the Swiss Army and its air component, the Fliegerliet.

References to the "Swiss Army" also tend to surprise many Canadians. What would Switzerland, a small neutral country with about one quarter of Canada's population, need a defence establishment for? Well, Switzerland is a country which could comfortably fit into an area half the size of New Brunswick, not been at peace since the 19th Century?

It is important to remember, however, that Switzerland protects not only neutrally but armed neutrality. An article of faith for the Swiss armed neutrality requires a defence establishment of sufficient

power to deter and, if necessary, actively oppose, a would-be aggressor. The result is a largely neo-neutral, semi-military establishment of expensive, state-of-the-art defence equipment and, as noted earlier, a substantial defence-industrial sector.

The Alps and the Jura mountains also provide the country with a number of natural defensive barriers.

Although Switzerland spends less on national defence than Canada, compulsory service and a heavy reliance on reserve personnel allow it to maintain a military establishment far larger—in terms of manpower—than Canada's in the event of an emergency. Switzerland can

mobilize a force of some 500,000 soldiers and airmen. Switzerland's massive civil defence organization, unlike anything seen in Canada, can call upon almost 500,000 personnel and provide shelter and other facilities for most of the Swiss population.

Not surprisingly a well-equipped force the Swiss Army utilizes equipment of domestic European and American origin. Domestic manufacturers, for example, have provided a variety of low level air defence weapons and the Pz81 and Pz89 family of tanks. American designed equipment currently in service with the Swiss defence establishment includes M113 armoured personnel carriers, M109 self-propelled howitzers, side-winder anti-air missiles and the F-35 fighter aircraft. The latter were built under license in Switzerland. Switzerland also is expected to acquire the very advanced TIGR 2 anti-tank missile from the United States.

Acquisitions from fellow European countries include the French Mirage II fighter aircraft and more recently the formidable Leopard 2 tank from West Germany. In addition to 35 tanks purchased direct from West Germany, an additional 345 Leopard 2s are to be built in Switzerland. Canada's Leopard 1 tanks are of an earlier generation.

Switzerland's small size and rugged topography have dictated a number of quite remarkable measures in the event of hostilities, for example, the air component of the Swiss Army would deploy in a network of underground shelters. Cleared out of lock, these subterranean shelters (or overture) include nuclear-resistant hangars, repair shops, storage facilities and living quarters. Only the survivors are above ground. In an emergency, Swiss military aircraft also could make use of specially surfaced sections of highway.



Meeting Canadian defence requirements: Anti-Schneider-Werke subsidiary are tested at Berlin's computer-monitored hydro-acoustic test facility in Bismarck, R.



The Gravelton Forces' Grizzly wheeled personnel carrier during exercises in northern Norway. Built by GKN Canada to a Swiss design.

Canada, a member of a defence alliance, and Switzerland, a neutral nation, obviously approach national defence in different ways. They also differ markedly in terms of military organization with Switzerland primarily relying on reserves and compulsory service and Canada on full-time regulars and voluntary enlistment. At the same time, however, there is common ground in terms of some equipment and, much more importantly in terms of a common belief in defence principles.

Although the LLAD program covers the prospect of an expanded link between the industries of Canada and Switzerland, it will certainly not be the last example of defence-industrial cooperation between the two countries. In 1977, for example, the Swiss MCOWAD company and the Swiss Division of General Motors of Canada won a Canadian military competition for the supply of new armoured vehicles. Renamed the Cougar, Husky and Orca in Canadian service, the MCOWAD-designed "Piranha" family of vehicles was license-built by General Motors in its London, Ontario facility. This contract, which involved many other Canadian firms, was completed in 1982. A modified variant of the Canadian-produced vehicle, however, was subsequently ordered in quantity by



Canadian Forces 427 Squadron Para-Med helicopter exercise in northern Norway, specialized equipment requirements for the Canadian Air Sea Transportable (CAST) Brigade Group.

the United States Marine Corps. Production of this and other variants is continuing.

There are other defence-industrial linkages, as well. Pratt and Whitney Canada in Longueuil, Quebec, for example, is continuing to supply PT6 turboprop engines for the highly successful line of Boeing personal manufactured in Switzerland by Pilatus.

The Low Level Air Defence program clearly offers the opportunity to build on this foundation, increased interaction between Canadian and Swiss defence suppliers would naturally strengthen the respective defence industrial sectors and

provide a wider range of skills and expertise, to support the respective defence establishments. A relationship of potentially long-term benefit to both the military and non-military spheres, increased interaction also offers the prospect of technology transfer joint ventures, enhanced two-way trade in defence and non-defence products and a variety of new commercial linkages between Canadian and Swiss companies. For both countries, increased interaction between two rather complementary defence industries should help to promote self-reliance in defence through industrial cooperation.

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LLAD Team**

LLAD Team is a joint venture between Devtek Corporation and Littion-Oerlikon AG, a Swiss company. The team is responsible for the design and production of the LLAD program.



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# A blueprint for Canadian-Swiss cooperation



Marco M. Genoni

Following is the text of an interview with Dr. Marco M. Genoni, vice-president, LLAD project director, Oerlikon Military Products Division, Zurich, Switzerland. The interview was conducted in German and translated by Felix Mueller, an aerospace and defence writer based in Zurich—editor.

The Canadian government has identified a requirement for a low-level air defence system to protect Canadian troops in Europe. Since industry in Canada does not make the required defence systems, the government has turned to international companies. What can Switzerland offer to meet Canadian requirements?

**Genoni:** I can only speak for the Oerlikon offer in Canada we appear as the Oerlikon-Defence Low-Level Air Defence (LLAD) team. We act as main contractor, with CAE Electronics Limited, Contraints (Belgium), Evkac Corporation, General Motors of Canada Limited, Luvax Incorporated, Orion Systems Canada Limited, Martin Marietta Aerospace (U.S.A.), Oerlikon Aerospace (Canada), Oerlikon-Bührle (Switzerland) and Rhein Aerospace Limited as team members.

Basically, the Oerlikon-LLAD team proposed the Oerlikon ADATS air defence anti-tank system which was developed in the United States on behalf of Oerlikon-Bührle in combination with the Oerlikon 30mm gun system and the Skagstad fire control system. In addition we can offer our long-standing air defence experience. Most of our experts, besides their civilian jobs, serve as air defence officers in the Swiss armed

forces on active duty with normal annual sabbatical periods as required by the Swiss militia concept. In other words, we know from first-hand experience what we are talking about.

We have the capability of managing and implementing large overseas programs. The ADATS, for instance, is the outcome of a six-year development phase in the United States with our own team on the spot. We coordinated successfully the development work by Martin Marietta and a number of other companies. Finally, we have begun to implement the Pathfinder program which was committed in August 1984. Pathfinder is a program aimed at building the first production ADATS line-up—the complete system except the missile proper—in Canada. Today approximately 14 months later, we are two months ahead of the original schedule. This illustrates our successful handling of an international program involving firms in Europe and North America.

The Canadian Forces' Low-Level Air Defence (LLAD) program will replace World War II era technology now defending Canadian Airbases in West Germany. What technological changes have occurred to improve the effectiveness of low level systems?

**Genoni:** In general, ADATS embodies the full gamut of technological advances achieved since World War II. This comprises the most advanced infrared technology, sensor technology, laser technology, propulsion technology and aerodynamics. Changes in technology since World War II have occurred primarily in electronics and those naturally affected sensor and laser technologies, as well as aerodynamics and propulsion. It is well known that our U.S. partner Martin Marietta was one of the principal contractors in the Mars landing probe program and today the company is in charge of the Space Shuttle's maneuvering motors and the astronauts' backpack maneuvering system.

Advanced technology also went into materials. Take the missile propulsion chamber as an example, which is made of carbon fiber composites in particular. However, we are proud of the state of electronics new systems evidenced in current ship carriers.

What steps must be completed before a modern low-level air defence system can be fielded?

**Genoni:** ADATS is an entirely new system. And Canada should do so, firstly



Test firing of ADATS (air defence anti-tank system).

test, become its first buyer. Being the first buyer of anything may involve a certain calculated risk, it is very general advice. However, this is more than balanced by the potential benefits.

ADATS may be regarded as a system tested and evaluated to United States industrial standards. During the development phase a total of 39 missiles were fired with a rate of success, according to U.S. industry definition, exceeding 88 percent. Army tests were conducted in cooperation with the Swiss Defense Procurement Agency in Switzerland. Also, the system underwent testing within the U.S. Army MCM (Missile Command) ADATS Alternative Test program at Huntsville Alabama (RMDA is the U.S. Army's division air defence system Sig Yaw, recently cancelled by Secretary of Defense Casper Weinberger).

Canadian authorities have had the opportunity to test ADATS in Switzerland under the shrewd examination. We staged a number of tactical missions aimed at the protection of an airfield and of a brigade, providing an opportunity for Canadian representatives to gather first-hand experience on how the system operates.



Oerlikon's ADATS during Swiss Army trials sophisticated systems requiring extensive industrial capabilities for future enhancements.

In addition to defending the airfield the defense system must protect troops on the move. How does a low-level air defence system LAMP fit in?

**Genoni:** Two basic requirements must be pointed out. First, this system has to be highly mobile and second it must be easily operated and controlled. In addition, its effective range must be able to engage all moving enemy units such as attack helicopters, without incurring the risk of its own loss.

The mobility requirements of ADATS are tailored with the M-113 vehicle. ADATS is newly designed and controlled using fully integrated command control and communications (C3) equipment that is built into each individual vehicle. ADATS can act either as a stand-alone unit or in combination with other units, whatever the requirements of the moment. The effective range of eight kilometers enables ADATS to out-range any attack helicopter currently in use. In addition, ADATS is being equipped with passive sensor equipment control to permit by any electronic countermeasures system.

Canada's defence procurement policy requires maximum participation of domestic industry. To what extent would Oerlikon companies be involved in Switzerland's supply of a low-level air defence system?

**Genoni:** It is important for us that Canada should become the first ADATS buyer—that will be our benefit. So for us it is natural that as the first buyer Canada should be fully entitled to benefits in return. These benefits lie in the fact that ADATS will be built in Canada. It is our declared corporate policy to develop the series production of our missile system in Canada. This is by no means unusual for our company. We have an Italian firm, Oerlikon Italia, manufacturing guns, and we also have Oerlikon MARC in the

UK, primarily an ammunition manufacturer. It is alleged that we should have a missile system production capability, and for Oerlikon-Bührle this will be in Canada.

And that will apply to all the other possible ADATS sales to combine other than Canada?

**Genoni:** That is correct. Our invitations for ADATS in Canada would not be partitioned merely for the LLAD program. We are meeting fully into LLAD, but we also are meeting over and over the Canadian program with a view to developing the world market. Our contracts with CAE, Luvax and other Canadian firms are needed so as to give them substantial sales rights for ADATS subsystems. We also will establish an engineering team in Canada, much in the same way as we did in Italy and in the UK. They will be in charge of modification and improvement of the first unit with particular emphasis on system engineering and software.

The will not be a back-up team. It will be the one and only team in the program and it will be part of Oerlikon Aerospace in Canada, for modification, improvement and further development of ADATS. Our commitment to Canada is total.

We also are making sure that life cycle support for the Canadian system will be based on in-country sources. So as an additional benefit of paramount importance for the Canadian government is the total support independence both in terms of people and on-site situations. In-country sources will guarantee the safe implementation of any modification, improvement or further development action that may be deemed necessary in hardware as well as software.

These benefits are offered to one buyer only—the first. This also includes a comprehensive technology transfer to Canada from both the United States and

Switzerland. This technology investment must be added to the pure financial investment of approximately \$200 million (CAD) most of which has been made in Canada already.

Fielding a new defence system can be an expensive exercise. Will there be any opportunities for Canadian companies after the completion of the Canadian program?

**Genoni:** It is our corporate policy to make the best of our Canadian partners' entire infrastructure for as possible sales over and above a Canadian commitment. In that context I might add that under the U.S.-Canadian Defence Production Sharing Agreement, Canada has the same status as the United States regarding sales. Martin Marietta has been in contact with the U.S. Marine Corps for possible ADATS sales. While over the U.S. interest in ADATS, we could focus on Canada.

Another possibility in the near future is Turkey. We have, in fact, made an offer to Turkey to supply ADATS from Canadian production.

For many years Canada has purchased equipment for her forces from the United States. Is there any possibility that this cross-border trade can be sustained over?

**Genoni:** It is of our firm belief that a Canadian decision to procure ADATS must remain our primary preoccupation, but the U.S. will undoubtedly watch closely what the government's attitude will be doing. Let me put point out once again that we have a complete industrial base in Canada which is ready and waiting for the go-ahead. All the being considered the LLAD proposal is submitted by Oerlikon-Bührle has a NATO content in excess of 80 percent.

While the name Oerlikon-Bührle in Swiss, many NATO nations have purchased and operate Oerlikon equipment. Our industrial organization rests on facilities in Canada, Italy, the United Kingdom, the United States and of course Switzerland. So it is no exaggeration to say that what we offer is more than 80 percent NATO origin. ADATS, we contend, is a NATO system because it is a Canadian system. We satisfy the Skagstad 30mm system from our bases in Italy and the UK, and the ADATS fire units from Canada, the U.S. Italy and Switzerland. For understandable reasons we still hold the final production of the ADATS missile in our own facilities. Yet we will set up a second missile production line in Canada. This will depend on the level of sales achieved and on the general progress of the Canadian program. It will also depend on the willingness of Canadian firms to make certain investments.

## The Specialists: Canadian industry plays a leading role

The following interview with Tom McGuigan, vice-president, Marketing, Lufkin Systems Canada Limited, focuses on the benefits to Canadian industry resulting from licensing agreements with international companies—editor.

In order to fulfil Canada's commitment to NATO it is necessary to provide our armed forces with modern equipment. What contribution can Canadian industry make in this area?

**McGuigan:** The aerospace industry in Canada is not very large, but it tends to specialize in certain areas. The skills we do have in industry complement the requirements of Canada's Department of National Defence (DND). The best example is the Air Support Weapons (ASW) field where Canadian industry has demonstrated a very strong capability that has been developed as a result of a Canadian Armed Forces requirement.

In a program like Low Level Air Defence (LLAD), we have no problem in getting Canadian industry to participate. You start off with the technologies we have experience in, such as electronics, display consoles, communications, and electro-optics, and bring that work into the LLAD program.

We also have supported DND in the long run with automatic test equipment, repair and overhaul programs (maintenance, as well as software and engineering support). In general, logistics support costs more than the original program. It's important to get Canadian industry involved because Canada does not want to go outside the country for that long-term support.

We can build up over time a capability in Canada to take on the systems engineering role in a major program. This is an area DND will be looking at in the future, especially with large systems where you are crossing a number of technical boundaries, such as communications, command and control systems, computer systems, and so on.

A number of years ago you just brought a black box in, installed it in a ship, aircraft or tank, and it worked. Today, with the high level of integration which requires these systems to be able to talk to each other and work together, the people who put the total system together have to be involved in the characterization of the individual black boxes, and usually are involved in the manufacture of one of the individual systems. If you don't have experience as a system designer or system integrator, it's very



Tom McGuigan

hard to find a place for your product. The people capable of putting a total system together are those who are involved in designing and making some of the individual black boxes. It's an evolutionary process. And today this is the direction that Canadian industry has to go. If you look at something as complicated as the LLAD program, or a ship's system, it takes a great deal of active cooperation between the equipment supplier and the system designer. You have to be part of that system team, and be part of it very early in the program.

Are there long-term benefits in having a licensing arrangement with companies from other countries in order to compete for a Canadian government program?

**McGuigan:** I think there is always going to be the offshore procurement of major systems to meet this country's defence needs. When you look at the major programs such as the CF-18 fighter aircraft, the initial design and development activity has taken place as part of a large U.S. defence requirement using the experience of U.S. industry. Canada can participate in these large DND programs if you set up a cooperative arrangement between a Canadian company and a large international firm, such as the cooperation between Lufkin and Orionair at Switzerland on the LLAD program proposal.

When Orionair sells in other countries, Lufkin can become part of the overall package. At the same time, Orionair is getting to know the capabilities of Lufkin. CAE Electronics, Spar Aerospace and

other Canadian companies. It's only natural that when Orionair takes a look at what comes after the low level defence program, they are going to go back to the companies that they know and have confidence in and that have demonstrated a capability.

In another example, it is much easier for Lufkin to go to McDonnell Douglas today and talk about the requirements on a program such as the Advanced Tactical Fighter because we have been dealing with McDonnell Douglas for the last 15 to 20 years.

When Canada procures a defence system from another country, it is government policy to ensure that Canadian industry receives maximum benefit from such a purchase. How effective is the approach in maintaining Canada's leading role in the field of high technology?

**McGuigan:** It would be very difficult to find an area of technology that does not have some degree of Canadian involvement. What that means is that when a foreign company must fulfil an official requirement (the federal government's effort to reverse Canadian content) there is going to be a nucleus to build on. The best example is the success Canadian industry has had in an export sales. We export about 80 percent of our production. The primary thrust of technology development in Canada has been through official programs, rather than domestically-funded research and development. It has been demonstrated that this research activities in prime-time technology into Canada, and we have been successful in buying that technology abroad and selling it to the world.

We are leaning heavily on the investments that other companies and countries are making in R&D. We spend our own money on a technology that has already been demonstrated as being worthwhile, and we're able to adapt that particular technology for a new product or a more direct Canadian application.

Research and development is what produces a new product. Our problem in Canada has been to lack of direct funding for R&D, so we have had to find other ways to transfer other people's R&D into Canada. The skills we have at Lufkin in an area such as thermal equipment systems, machine building, is better product, getting improved performance, know ways to build it less expensively so it becomes available to more people and finding other spin-offs for the technology.

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# Alarm in the Barks

COVER

The \$6-million investment decision was typical of dozens made every business day in Canada—all important to the investor, all but routine for the country's six biggest banks. But the decision's timing—and the forum that helped the managerial administrators of Burnaby, B.C., to reach it—was a far-from-routine situation. Canada's multibillion-dollar banking industry was in the throes of a crisis in confidence, with potentially far-reaching financial and political consequences.



Hiram, damage to confidence

**Safety:** By choosing to spread its funds among the Big Six, Burnaby error lenders were making an assumption shared by thousands of everyday savers: there is no sound safety in large-sized banks. In acknowledging this, those institutions are the Royal Bank of Canada, the Bank of Montreal, the Canadian Imperial Bank of Commerce, the Bank

of Nova Scotia, the Toronto-Dominion Bank and the National Bank of Canada. At the same time, the Vancouver suburb became part of what has emerged as a sustained seven-month-long run on Canada's smaller banks.

Last week the run began to moderate but it left political controversy in its wake. For its part, the Bank of British Columbia appeared able to withstand the loss of Burnaby and other depositors—possibly because of such transactions from the Big Six (page 86). Still, Vancouver's Peter Stafford, secretary of the Bank of B.C. "We have the same level of deposits, or slightly more, as before [the crisis broke]. Where they are coming from we are not saying."

**Emergency:** Still, even since the federal government announced on March 26 that the now-defunct co-required \$250 million in emergency assistance, there has been a steady outflow of funds—mainly belonging to institutions and corporations—from Canada's smaller banks. The Bank of Canada—the federal agency that oversees the banking industry—has tried to prevent the outflow—and restore confidence—by providing an unprecedented total of \$5.36 billion directly into the banking system. And a chorus of Big Six executives, business leaders, investment analysts and members of Prime Minister Brian Mulroney's government have declared that the country's banking system remains one of the world's soundest.

But the recent collapse of the two Alberta banks—the first Canadian



banks to fail since the badly mismanaged Home Bank of Canada abruptly closed its 74 branches in 1922 following a series of disastrous real estate investments—was followed in October by the forced merger of the faltering Maritime Bank of Canada, with assets of \$4.4 billion, and the National Bank. And despite efforts on the part of the government and the Big Six to ease concerns that there might be further failures, some investors continued to be wary. Acknowledged Bank of Canada Governor Gerald Roney, in a rather unscripted interview with *Maclean's* last week: "There has been damage to confidence in the smaller banks."

**Reform:** Efforts to repair that damage and to reassure Canadians that money in the bank is safer than money in a mattress continued last week. The bank under pressure was the Continental Bank of Canada, with assets of \$6.8 billion, the country's seventh-largest. Officials acknowledged that it had received help from the Bank of Canada because of a liquidity squeeze. But Maclean's has learned that after a week of intense lobbying, the bank had also gained support from the federal government.

But before Mr. Justice Willard Zuber of the Alberta bench delivers his verdict on the Alberta bank failures, which resumed hearings in Ottawa last week, there were further revelations of an agreement behind the scenes over how to handle the bank crisis. Roney is the Supreme Court of Canada judge selected by Mulroney to investigate the circumstances surrounding the decline and fall of the CIBC and National Bank. And evidence placed before Roney revealed a sharp philosophical disagreement between Mulroney and Barbara McDougall, the minister of state for finance. According to documents tabled by the office of the Inspector General of Banks, McDougall favored closing the CIBC last March, but Mulroney—supported by Finance Minister Michael Wilson—insisted on a rescue effort. Roney agreed with Mulroney: "The central banker told Maclean's: 'I am in favor of saving banks if it is at all possible and as reasonable cost.'"

**Attack:** Other evidence showed that McDougall had argued against the government's eventual defense—which she subsequently defended in the Commons—in support of the Canada Deposit Insurance Corp.'s recent \$600-million post-merger insurance coverage. The disclosure of the McDougall-Mulroney differences led New Democratic Party leader Ed Broadbent to call for McDougall's resignation. Opposition MPs were expected to rebuke their attack on the government's handling of the bank crisis in the light of the latest disclosures. But it was evident that taxpayers have

already had to cover losses incurred by insolvent banks and insolvent insurers.

One outcome of the current political debate—and the various inquiries into the run on the banks—seemed certain to be the introduction of more stringent regulations governing bank audits and record-keeping for the industry and the general public. As well, there were likely to be more strictly defined responsibilities of those in business who traditionally monitor banks—outside auditors and directors.

Certainly, the crisis of confidence has taken its toll—and left senior management of the major banks reluctant even to acknowledge involving Bank of Canada support. Said Conservative MP Donald Hunkler, chairman of the Commonsense Finance Committee: "There is a perception that if a bank gets into a liquidity crunch and the Bank of Canada comes to its assistance, it is almost like an insurance policy." Despite government efforts to ease them, the CIB and Northland floundered under the weight of creditworthy loans and wholesale credit lines.

**Tragedy:** And although the Mulroney government pledged to protect all deposits, including those whose deposits exceeded the \$50,000 limit, for a projected \$3.3-billion cost to the federal treasury—their collapse was a major setback to some Western Canadians (page 52). Many small-businesses in the West wanted the regional banks to provide a strong alternative to the centrally based Big Six. Said William Keithson, co-owner of Calgary's recent Printemps Ltd., a former Northland customer: "The bank [Northland] fulfilled a role not even by helping small-businesses where the major banks were pulling away from. Regional banking is threatened, and that is a tragedy."

In addition to the two outright failures, the confidence crisis forced the fundamentally sound Mercantile Bank to accept an October merger proposal from the National Bank of Canada, with assets of \$19.2 billion. Money-market observers began to distrust Mercantile's ability to issue its own promissory notes after the CIB crisis developed, despite the fact that the bank was 94-per cent owned by the giant Rockefeller-controlled CIBC Bank NA, of New York. Mercantile's resulting cash squeeze was exacerbated by its reliance on day-in-day operations and—before the National merger was arranged—it received an estimated \$300 million in emergency deposits from the Big Six.

Locomotion Canadian banks, Mercantile was finally merged with Western Canada, as real estate deals—but it landed a broad national deposit base to help sustain cash flow. And in the 1985 season

report it revealed that it was carrying a high proportion of nonperforming loans on which no interest had been paid for at least three months—half of them in real estate. Said a disappointed Robert Davidson, chairman at Mercantile, in an interview with Maclean's last week: "We don't want to be a renaissance-proof." Added Merrill Lynch Canada Inc., banking was-



Keithson: success under a microscope

lyst Terry Shannessy: "The Mercantile was caught in the cross fire."

For its part, the National had been questioned in the Mercantile for at least a year. In fact, the two banks held informal discussions in the fall of 1984 about a possible merger. And when the New York investment firm of Salomon Brothers revealed bids for Mercantile last month, National Bank executives at first estate deals—but it landed a broad national deposit base to help sustain cash flow. And in the 1985 season

lunger in Pelling on a business trip. It fell to president Gilles Merrett, 60, to head-defer National's bid to Toronto before the 11 a.m. Oct. 15 deadline. When Merrett's flight was delayed in Montreal there was a brief flurry of rumors, and the Montreal bank considered sending its smaller Canadian-owned banks to travel to Toronto from head office. But Merrett reached Toronto with the formal bid with 20 minutes to spare. The following day National learned it had been chosen from among several Canadian bidders. According to National executives, the outcome pleased the Bank of Canada and other government officials. Said vice-president Edward Lysman: "As far as public perception is concerned, it is better that a smaller bank got it. We are still number 6."

**Problems:** It was the second major setback by the National. In 1979 it merged with the Quebec-based Banque Provinciale, making it the ninth-largest. After five years of consolidation, during which it reduced its number of branches to the current 521 from roughly 950, the National was ready to expand again when the Mercantile opportunity arose. Lysman said that his bank was not concerned that it would face the same problems which the Mercantile encountered in the past few months, adding, "We are a larger bank now, which makes liquidity problems that much more remote."

Although the National still has no plans to enter the retail banking market west of Ontario, the Mercantile merger is expected to establish the National's corporate-banking profile in the West. Said assistant Lysman: "We have put our expansion plans ahead by two years."

For its part, the Continental Bank of Canada appeared to have restored confidence in its operations last week. Like Mercantile, Continental also faced a liquidity squeeze which caused serious concern in the Canadian financial community (page 56). But Maclean's has learned that after drawing support from the Bank of Canada, Continental began a concerted campaign among professional Big Six street money managers to reinforce the bank's reputation.

**Shakes:** At week's end, the savings appeared to be according. Said R.H. Lavers, vice-president of Toronto investment dealer Nikkard Doberty Ltd.: "I have every confidence in the Continental Bank. Its assets and management are very sound, and we will do our best to market their deposits." Besides, according to Lavers, "all the major banks are now trying to reawaken institutional interest in their deposits and acceptances. It is a normal thing, now that the crisis is over."

But what about Nelson Ellis, who praised efforts by the Big Six to restore overall confidence in the system. Said Ellis: "I think the banking crisis is over."

Frankly, people have more confidence in the Royal Bank than the central bank." To help foster the idea that the system was sound on the banks' support, the Big Six dispatched teams of special auditors to help the inspector general of banks evaluate the assets and liabilities of the smaller Canadian-owned banks. The moving inspection teams—which de-



Easy and with, Audrey Kirk: among independent investors and metropolitan bankers

livered approved audits for such banks as the Mercantile and Continental, were at least partly a gesture aimed at reassuring the Canadian and international money markets. Although the Big

Six were widely regarded as not witnesses in the situation, there were strong indications that they gave increasingly concerned about the industry's overall image on the crisis were on. In fact, Royal Bank chairman Ronald Francis, in an Oct. 17 speech at Acadia University in Wolfville, N.S., erred what he called the "maximalist and apocryphal" on the part of some of the banking system's critics.

Francis went on to list five "persistent myths" about Canada's bank-

ing system, which he declared: "78 per cent of the people regarded favorably." According to Francis—and contrary to cynicism—banks do not represent shadowy interests plying the nation's financial strings. Nor do they lead their own funds and extend loans only to people who do not need the money. He said it is also untrue that banks make

huge profits without paying taxes, adding, "The EBIT and final profit is what we never suffer losses, and that one, especially, is not true."

Indeed, the losses can be staggering. From 1980 to 1984 Canadian-owned banks wrote off \$44 billion in bad loans. And the banking industry currently carries roughly \$19 billion in nonperforming loans. But the banks—particularly the five biggest—were so strong that most analysts regard potential losses as manageable.

In the case of the failed Alberta banks—the CIB and the Northland—the problem of nonperforming loans was compounded by an inability to attract new deposits, particularly

during the same season that persisted in the rest of the country it eased elsewhere in the country.

**Gleanings:** The Big Six also saw another differentiation. With almost 7,000 branches across the country, nearly 150,000 employees and assets of roughly \$775 billion, the CIBC bank's charters banks currently attract new business—and assets. The banks are at once highly mobile and dominating forces in every-day Canadian life, just as their planning office buildings tower over the nation's cities and their board members collectively wielded the same influence. Since a Canadian bank is usually so near as the next intersection—appropriately convenient for a nation of savers.

Indeed, the chartered banks contain roughly six savings accounts—each containing more than \$5,000—for every five members of the Canadian population. As well, bank managers—with their potent combination of the virtues of prudence and thrift—traditionally have exercised substantial, if sober-sided, influence within local communities.

Macdonald, for one, said the Canadian banking tradition. He responds to a question by Liberal finance critic Raymond Gorman (Laval-des-Rapides) who told the Commons that the Canadian system "has served so well for a hundred years, and it is continuing to do so."

Said the shaken confidence in the banking system raised the question: did the major banks still merit their image as prudent, cautious and skilfully managed institutions? Most members of the business community said yes. Declared Thomas d'Amico, president of the Business Council on Canada, plus banks. "There might be fear on the streets of these four—I don't know, I'm not there—but I can tell you categorically that the leaders of the Canadian business community have confidence in the system." Added d'Amico, president of real estate giant Caledon Fairview Corp. and a former professor of finance at the University of British Columbia: "The major banks are strong enough to deal with any loss of confidence, and left to themselves, they will. There are no more responsible people than the chairman of some of the major banks."

**Fallout:** By coincidence, the chief executives of the Big Six were in Ottawa in mid-September to appear before the Commons Finance Committee. Most of the top bank heads, including Toronto-based chairman Richard Thomson, said they were reluctant to participate in the government's attempt to bail out the CIB. Said Thomson: "The bank should have failed at the time of the March withdrawal."

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"People have become aware that all banks are not prudent. And people have realized for the first time that the inspector general did not know what was going on." Added Robin Connell, a banking analyst at Gervais Capital Corp. and a special adviser to the House of Commons banking committee in 1992: "You have to regulate banks, and I would be strongly critical of the regulatory system. Banks are not scrutinized strongly enough."

Evidence before the Ritzby committee showed that Kennett's office relied principally upon reports by the CCB's outside auditors to measure its health. But the auditors, in turn, relied upon information provided by the bank's management to prepare their reports. If critical information was deliberately withheld by the bank during an outside audit, Connell would have no effective way of knowing the

bank's real condition. Said Bosny, during testimony last month before a Senate banking committee inquiry into the CCB collapse: "It does look to me as if there has been a serious breakdown somewhere or other in the inspection system on this occasion."

**Surprise:** Despite the fact that reports of trouble at the CCB had circulated within the financial community for more than two years, the government's organized check-restore attempt caught some members of the accounting and banking professions—and many politicians—by surprise. In fact, Kennett was out of the country—holding an in the Caribbean. For his part, Bosny, who in 1993 took the unprecedented step of personally telephoning a Toronto newspaper, *The Globe and Mail*, to try to counter rumors that the CCB was in difficulty, told the Senate committee: "At no time had anyone ever told me—and I include the large banks—that the [inspection] system was not working."

In his interview last week with *Maclean's* Ottawa correspondent Paul Grenfell, Bosny said that the inspections of the smaller chartered banks, which were carried out this fall by representatives of the Big Six, should help restore public confidence. Added Bosny: "I wish people would shift their attention to

what has recently been done in the system. Now these inspections were never carried out before. The system has changed already." Bosny said that, on the basis of the inspections, the Bank of Canada felt confident enough about the smaller Canadian-owned chartered banks "to look after any liquidity needs." Added Bosny: "I see no weakness in the system at the moment—none at all. I think we have had the inspections that show there is no weakness."

**Same game:** At the height of the crisis the Mulroney government took steps to protect the smaller banks from the potentially devastating effects of gossip in the financial community. To that end it even briefed the opposition on developments. One example: McDonnell met Liberal leader Jean Charest and the NDP's Broadbent on Oct. 19 to discuss the Mercantile Bank's rapidly worsening liquidity squeeze. At the same time, sources said, the government urged the opposition parties not to ask questions in the Commons that could be damaging to banks. Said one government insider:

"We were concerned about the possibility that questions about Mercantile would lead to questions about Centennial, or two or three others. Once you start these things, who knows where they will stop?" But opposition MPs declined to restrain their attack on the government's handling of the crisis. Said the NDP's Blin: "We wanted to ensure that the questions we asked would not erode public confidence in banks."

**Lingers:** At week's end, the combined "demon effect" efforts by the Big Six, the Bank of Canada, the threatened smaller banks, and the business community seemed to have become increasingly effective. And the banking community began to look forward to a period of renewed stability following months of uncertainty and confusion. But the aftereffects of the crisis were almost certain to linger as the public consciousness, if only because the Ritzby inquiry was still in its early stages and further politically controversial details of the Mulroney government's performance are likely to emerge.

As well, federal politicians faced the prospect of drafting and enacting new regulatory provisions designed to control banks in a modern economic environment. Said economist Arthur Desnoes, a consultant to Research Securities of Canada Ltd.: "The banking system has changed dramatically in the past 10 years, but the regulatory system has stayed the same. It must be overhauled."

—ROBERT MILLER with PAUL GRENELL in Ottawa, BRUCE MALLACE in Montreal, JANE O'HARA in Toronto, LARRY GREEN in New York and MARY PYLE, ANN WILSON, JIM CHASE, SAUNDY and MARK CLARK in Toronto

## THE RATINGS: ASSETS OF ELEVEN



THE SPIRIT  
OF THE WHITE REINDEER.  
ON ICE.

# The 'hit teams' of U.S. banking

**F**or the past two years James Davis and his 3,000 bureaucrats who work for him have led highly unpredictable—and hectic—professional lives. Davis is director of the division of liquidation at the U.S. Federal Deposit Insurance Corp., the Washington-based agency that is responsible for closing down failed U.S.

since the New Deal's one in the 1930s.

The major structural problem in U.S. banking is caused by the differing number and variety of banks and by 20-year-old federal legislation that effectively prevents most types of banks from setting up national networks. In response, each of the 50 states has adopted its own set of regulations. The result is that 15,000 U.S. companies

out-of-state banks to do business within its borders. So far, 32 states have opened their doors to banks from some or all other states, and 10 more are considering doing so. Robert Litan, a senior fellow in economic studies at the Washington-based Brookings Institution, says that over the next five years the big 15 "money-centric" or commercial banks will move into many

down banks at a record pace. On May 31, the agency closed seven small banks—four in Nebraska and one each in Arkansas, Minnesota and Oregon—a post-Depression record for shutdowns in a single day. The largest of the seven failed banks had only \$100 million in deposits. The failed Nebraska banks, like many of the smaller institutions, concentrated on lending to farmers. According to analysts, 55 percent of the banks that have closed this year have based their business on agricultural interests, most of them in the Midwest.

With armed numbers of clowns, Davis and his FDIC "hit teams" have become remarkably proficient. Gener-

searching files and desks for evidence of illegal activity.

**Quick:** At the same time, another group armed with portable computers began drafting refund checks for depositors. The system works so quickly that, in the case of small banks, insurance refunds for customers with deposits of \$100,000 (U.S.) or less (Thursday legislation raises deposits of up to \$50,000) are often available on the Monday after closing. Frequently, the FDIC arranges quick mergers in order to reopen the bank and protect large deposits. Three of the seven banks closed on May 31—a Friday—either reopened under new management or had their deposits trans-

ferred to six state-chartered thrifts located in the state in which they failed. Until last week, when the legislature approved a deal allowing the thrifts to reopen as banks under new management, depositors had been able to withdraw only \$5,000 each. "The Ohio and Maryland cases are not disasters but warnings," and economic commentator Robert Litan says, "I doubt that there will be an imminent banking crisis, but the 'near-panic' reflect deeper problems which could undermine faith in the banking system and cost taxpayers billions of dollars."

**Clowns:** By contrast, the giants of U.S. banking have, for the most part, performed well. Twelve of the 15 largest U.S. banks posted increases in profits in the first half of 1985. The significant exception was BankAmerica, which posted a second-quarter loss of \$28 million, the second-largest ever for a U.S. bank. Paul Sacks, president of Malmont & Associates Inc., a New York-based investment consulting firm, says that the higher profits reflect changes in the way U.S. banks operate. Bad banks "These banks that have the skill to make changes have profited. They've moved in the direction of British merchant banks, where earnings are based on fees rather than interest. Banks that remain locked in traditionally profitable sectors, such as real estate, have not done as well."

**Still,** regulators say that they are concerned by at least one trend in big bank operations. Large banks are now guaranteeing bond issues for customers rather than making outright loans. These guarantees do not appear on a bank's balance sheet, and as a result there is no requirement to put aside backup capital as there would be for a loan. The top 15 banks have an estimated \$120 trillion outstanding in these "off-balance-sheet items," which also include commitments to underwrite and purchase foreign currency, said Irvine Sprague, an AIC director. "The new rules are a just story." Federal regulators are considering imposing controls on the practice.

**Watch:** But if one of the major banks were to get in trouble by following that practice, it is unlikely that authorities would allow it to close. Last year a bad loan portfolio almost collapsed the Chicago-based Continental Illinois Bank, one of the north-largest in the United States. Washington stepped in and effectively nationalized Continental Illinois by turning over 50 percent of its stock to the FDIC. Said Brookings' Litan: "There's not much of a risk in saving a large bank, except setting a bad precedent. But the risk in letting it go under are tremendous."

—IAN KOSTER in Washington



Lineup outside Ohio's Motor Building and Loan Co., the greatest banking reorganization since the New Deal

banks last year and his FDIC "hit teams" spent many days—and nights—closing up 73 failed banks, a post-Depression record. The FDIC has already closed 96 U.S. banks this year and is expected to see 25 more shut their doors before year's end, some of them the victims of fraud or bad management, others hurt by weak local economies. Davis, whose agency last week had 3,079 small banks on its "watch list" of threatened banks, says that an equal number will probably close next year. But there are signs that even that failure rate may soon be surpassed. Indeed, many analysts are predicting that literally thousands of the 15,000 banks operating in the United States will disappear in coming years as the country's banking system undergoes its greatest reorganization

since the New Deal's one in the 1930s. The major structural problem in U.S. banking is caused by the differing number and variety of banks and by 20-year-old federal legislation that effectively prevents most types of banks from setting up national networks. In response, each of the 50 states has adopted its own set of regulations. The result is that 15,000 U.S. companies

out-of-state banks to do business within its borders. So far, 32 states have opened their doors to banks from some or all other states, and 10 more are considering doing so. Robert Litan, a senior fellow in economic studies at the Washington-based Brookings Institution, says that over the next five years the big 15 "money-centric" or commercial banks will move into many states not currently open to them. Combined with the formation of new regional bank entities, that spread should increase competition in the industry. Most analysts also predict widespread mergers and closures. Said Litan: "We could easily lose 1,000 banks—some put the number as high as 5,000."

**Jeopardy:** But most analysts see little likelihood of a rationalization of the regulatory system. Most states jealously guard their right to regulate. And in Washington a series of regulatory bodies, including the FDIC, the Federal Reserve Board and the Office of the Comptroller of the Currency, frequently get involved in jurisdictional disputes. Efforts in Congress to merge them have failed.

The FDIC will likely continue to shut

ally, the team's members check into a hotel near their target, registering under the name of a management corporation, while FDIC officials in Washington, along with the relevant state and other federal regulators, decide when to shut the doors. When the order to move in is sent—usually on a Friday—the team members set out to overwhelm the state's \$100-million deposit insurance fund and start a run on Ohio's 70 state-chartered thrifts. The state swiftly shut down the entire system. The result: many depositors found their savings frozen for as long as 10 days while state-chartered S&Bs struggled to meet federal requirements that would allow them to reopen.

Two months later the panic spread to Maryland. Financial difficul-

ferred to another bank by the following Monday.

Not all depositors have been as fortunate. Early in March the Home State Savings Bank of Connecticut suffered a \$100-million loss in transactions with a now-defunct Florida investment company. That loss threatened to overwhelm the state's \$100-million deposit insurance fund and start a run on Ohio's 70 state-chartered thrifts. The state swiftly shut down the entire system. The result: many depositors found their savings frozen for as long as 10 days while state-chartered S&Bs struggled to meet federal requirements that would allow them to reopen.

Two months later the panic spread to Maryland. Financial difficul-



Watched a maze of overlapping federal and state regulatory bodies

Davis' 'watch list'



# The high cost of money



MacKinnon: trading dollars daily, but a determined effort to stop the panic

**T**he 15 people who staff the money market desk at the investment firm of Nesbitt Thomson Hong Kong Ltd in Toronto arrive at their posts by 8 a.m. They immediately begin poring over numbers on their computer terminals, indicating how many millions worth of commercial paper—interest paying notes issued by corporations—and government treasury bills are available for sale. Then, the money traders begin working the telephone. The conversations with counterparties at institutions who want to borrow or lend money for short terms are geared at establishing the nature of the investment and the rate of interest. If two parties agree on a price, which can be in the millions, a single "done deal" buried into a telephone seals the transaction. The same is repeated dozens of times each working day in bank, financial and pension fund offices across the country, as money managers trade billions in surplus cash.

According to financial experts, the money market is where the fate of

Canada's smaller banks is being decided. And last week influential money traders told MacKinnon's that a concerted effort was under way to halt the crisis of confidence that has afflicted small banks since late last March, when the original \$200-million rescue of the now-defunct Canadian Commercial Bank of Edmonton began. In meetings of top ranking executives, over drinks after work and in whispered telephone calls, market traders urged each other to stop the run by depositing money with the small banks and taking other measures. Read one Toronto-based money trader: "This has gone far enough. A situation that was limited to two badly managed western banks has spread to affect other, entirely viable Canadian banks."

**Critical:** Indeed, the takeover two weeks ago of the Montreal-based, Mercantile Bank of Canada by the National Bank of Canada, also of Montreal, was necessary because money managers pulled their critical deposits from the Mercantile, fearing a funding crisis. And the Toronto-based Continental Bank of Canada, the

country's seventh-largest bank with \$5.2 billion in assets, has also been under pressure on the money market. This month, on several occasions, the Continental was forced to borrow from the Bank of Canada because it did not raise enough on the money market to fund its daily obligations. But now, said a money trader at a small foreign bank, "the marketplace is starting to realize that the Continental is far more solid than the Mercantile."

One event that helped to reassure the money market was the unprecedented financial audit of the loan portfolios of all the small Canadian-owned banks earlier this month, arranged through the office of the Inspector General of Banks. The auditors gave the Continental, which analysts say relies on the money market for 30 to 35 per cent of its funds, a clean bill of health. Still, the Continental's difficulties served to underline the volatility of the money market.

**Trouble:** Because the standard money market investment is in the well-known, far above Ottawa's deposit insurance limit of \$50,000—at the first hint of trouble investors often do not renew their deposits. Said Chris Zwolski, assistant vice-president of foreign exchange and money market at Irving Bank Canada in Toronto: "If a credit officer decides to eliminate his company's exposure to a particular bank, the next day the bank finds that a source for millions of dollars in deposits has disappeared."

The amount of money available for trading is staggering. According to the Bank of Canada, at the end of July—the most recent date when complete statistics were available—there was \$90.7 billion in outstanding treasury bills and commercial paper in the money market. Said Ross MacKinnon, money market vice-president and manager for Nesbitt Thomson: "Billions of that change hands every day."

**Market:** Toronto-based TransCanada Pipelines Ltd., for one, trades between \$30 million and \$50 million in the money market each day. At Ontario Hydro, money market investments total \$20 million to \$100 million daily, said John Cook, manager of fixed income investments for Hydro's pension fund.

Because of the recent bank failures, money managers have placed a renewed emphasis on the credit worthiness of the securities and financial institutions in which they invest. Said one trader: "The current situation has stabilized, but there is still nervousness about institutions that are solvent. That shows how fragile the system can be."

—MICHAEL SAEGER in Toronto



## WHAT FAT PEOPLE KNOW THAT THIN PEOPLE DON'T.

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# A clouded western vision

Ever since the Great Depression the dream has been a simple one: the creation of western banks that would help, genuine capitalists to prosper. The vision was the product of reality: Canada's traditional banking system, dominated by Central Canada banks, could not or would not—in the opinion of many westerners—address the region's specific needs. But it was not until the economic booms of the 1960s and 1970s that conditions were right for regional banks and trust companies to grow—and more than eight firms were founded during those years. Now, with the collapse of the Edmonton-based Canadian Commercial Bank and the Calgary-based Northland Bank, the entire feasibility of regional banking is in doubt. Declared Alberta Consumer and Corporate Affairs Minister Connie Coleman, "The Big Five will end up stronger than ever. That does not give us warm feelings out here."

When oil and wheat first became thriving industries over the course of the 1960s and 1970s the development created a demand for expansion money. But many Westerners found that they could not get the loans they wanted from national banks and trust companies based in Central Canada. And some businessmen who did secure loans complained of "high-handed treatment," recalled University of Calgary economist Warren Blackman. "The Big Five would unthinkingly shift money from a business's deposit account to put against a loan—without consultation."

**Downside:** As a result, new western-based financial institutions took advantage of the business experience and the demand for money. One was City Savings & Trust, the predecessor company of Vancouver-based First City Trust Co. Now with assets of \$108 billion, it was founded in Edmonton by the Seltzberg family in 1968 because there were no locally based financial institutions to make residential and commercial loans to local businessmen, real company president Edward Seltzberg. And in 1976 credit unions in Alberta, Saskatchewan and Manitoba assembled \$18 million to start the Northland Bank because their financial resources could no longer meet the growing demand for big loans from Western businessmen.

In Alberta, former premier Peter Lougheed actively promoted what he

described as a "shift in the decision-making westward" that included the financial sector. As that province's energy and construction sectors grew rapidly in the late 1970s, the demand for loans from western-based financial institutions increased. And one western financial executive "It was the largest market. The conventional wisdom during the boom was universal hydrocarbons are a nonrenewable resource and



Customers propping up faltering firms

they can only go away. There was no pragmatism of doom."

**Flawed:** But in 1982 the west's economic miracle ended abruptly. The world prices of oil, beef and grain plummeted. The demand for new housing, offices and industrial parks evaporated, and borrowers defaulted on their loans as real estate values collapsed by as much as 50 per cent. Banks, credit unions and trust companies became the unwilling holders of unmarketable homes, commercial buildings and acres

of raw land. The casualties among western-based financial institutions were numerous: Edmonton's Fidelity Trust Co., Vancouver's Western Capital Trust and Regina's Pioneer Trust Co. all failed between 1983 and 1985.

**Reasons:** Indeed, the collapse of the Northland and the CCB last month were the only two illustrations of the growing problems of western financiers. Kuller, of Alberta, moved to stabilize the financial sector. In January this year the Alberta Treasury Branches posted a \$65 million in preferred shares for North West Financial Corp., which in turn invested \$25 million in its subsidiary North West Trust Co. Then, in March the Alberta government provided \$105 million in loans to strengthen 64 of the province's 136 credit unions, which were carrying \$590 million in non-performing loans and \$225 million in foreclosed real estate. And last month it gave 17-year-old Heritage Savings & Trust Co. six months to raise \$6 million in fresh equity to qualify for a \$10-million rescue package.

Still, the dream of a financial industry to rival that in Central Canada has not entirely disappeared. Last month the Gherman family of Edmonton announced that it was opening a new Alberta-based financial institution, People's Trust Co. It plans to open offices in Calgary, Toronto and Vancouver by the end of the year. And Edmonton-based Bank of Alberta—with assets of \$180 million the smallest and most recently chartered western bank—is continuing with plans to open its first retail branch in Edmonton this month. The bank is 70 per cent owned by Albertans, but its largest single shareholder, with 10 per cent, is Japan's Hokkaido Tokai Bank of Sapporo. And bank chairman Fred Sparrow, "Western Canadian assets were never bad."

Still, because of the recent failures some westerners are wondering if their economies can ever sustain a strong regional financial industry. Noted University of Alberta financial economist Gordon Brink, "You can't keep a dollar in Alberta by having a bank in Alberta. The money will move around." But others disagree. Blackman said that with another economic upturn, there could once again be a strong regional financial base. "The test of a banking system is not if it fails, but whether or not it meets the needs of the business community."

—ANDREW NICHOLSON in Edmonton



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Cyrus Avril mine, 650 jobs, government handouts and a town's last chance

## Reviving a costly dream

At the height of its prosperity in the late 1970s, 3,500 people lived in the Yukon town of Faro—and their standard of living was one of the highest in Canada. That good fortune changed in mid-1982 when Cyrus Avril Mining Corp., the town's main employer, closed a lead-zinc-silver mine originally opened in 1970, because costs were skyrocketing and metal prices were plummeting. Then, last week mining executive Clifford Pearce said that his new company, Corus Resources Corp., will resume production next year.

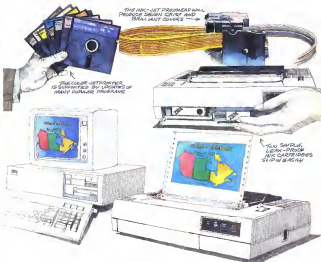
The development took place at a critical time for the less than 100 remaining inhabitants. Unemployment insurance payments will expire on Jan. 1, and most of the residents are still shocked by the near-death of their town. "People are feeling a little better but they are not getting excited yet," said Gary Peters, a former shovel operator at the mine who is now employed by the town. "They will not believe it until they actually see the boilers fire up the mine and the people working."

Pearce will likely unveil a package of federal and territorial government support this week that will enable him to start production. That package will include lower federal power rates, loans from the Yukon's New Democratic Party government and federal guarantees for those loans. The re-opening will also finally revive the beleaguered Yukon: the mine once represented 750 jobs and 40 per cent of the territory's gross domestic product. But the plan has angered officials from five other Canadian lead-zinc mines, who claim that entering even more competition is an already over-saturated market will mean lower prices and more layoffs for the industry.

That strong lobby against federal support for the mine has seriously embarrassed the Federal Conservatives. They are torn between their ideological aversion to government rescue of industry and their desire to foster a healthy economy in the Yukon, riding of powerful Deputy Prime Minister Erik Nielsen. A spokesman from his office told Nielsen's last week that Nielsen was unavailable and that the



Nielsen: a powerful lobby



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EXECUTIVE PRODUCERS  
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DECEMBER 20th

AN EXTRAORDINARY  
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JANUARY

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## The BEST of TIMES

starring  
Robin Williams, Kurt Russell  
Holly Palance

FEBRUARY

The BATES MOTEL a back  
on Broadway

## PSYCHO III

starring  
Anthony Perkins  
Dana Scarwin, Jeff Fahey  
Produced by William  
Davis or Anthony Perkins

mine deal was not something in which he would wish to be involved.

Prune launched his campaign to resurrect the mine last June when he signed a letter of intent to purchase the assets of Cyprus Aerial Mining Corp. from Dome Petroleum Ltd. of Calgary. Under the terms of the agreement, Dome would give the northwestern mine—and an undischarged share of the mine's \$120-million debt—to Cernish Resources. Dome kept the remaining portion of the debt in return for a share in future profits.

With this, Prune sought concessions from governments. In the past, Cyprus Aerial sent its ore by truck to Whitehorse and then transferred it to the Inuvik-White Pass and Yukon Railway for the final 200 km to the Alaskan port of Skagway. Now the ore will go by truck to the port—at an estimated annual saving of \$4 million to \$5 million—because the Alaska, Yukon and federal governments have agreed to help the South Klondike Highway open throughout the winter. Prune also asked the Yukon Territorial Water Board to waive permits and royalties. Dome has been forced him to construct a \$50-million dam to salvage the tailings and keep them from contact with air. The board has agreed to do so.

The silver-eyed executive also plans to mine the United Steelworkers of America, the union that represented Cyprus Aerial miners, by hiring a subcontractor to provide laborers for the mine during the first year of operation. Federal government insiders told Winston's last week that Ottawa wanted to avoid direct grants or loans but would probably agree to cut the rates for power supplied to the mine by the Crown corporation, Northern Canada Power Commission. Ottawa would also guarantee any loans to the mine by the Yukon, says government. Prune said only, "We got what we required."

For its part, Liberal Yukon Senator Paul Lamer accused the federal Tories of duplicity. He declared, "It is fairly in line of mine owners' that Yukon should not try to hide behind the Yukon MCA's walls. The money will have to come from the feds be-

cause the Territory has no money."

Although the mine is popular in the Yukon, it has aroused the heated opposition of mine executives in other parts of Canada. Last summer two Canadian lead-ore mines scuttled throughout the Northwest Territories, Ontario, New Brunswick and British Columbia, submitted a brief opposing Cyprus Aerial concessions to Finance Minister Michael Wilson. In it, the firms argued that they had already out-

back jobs and mine production because of a world surplus.

That argument was supported by mining analysts who said that the rescue would simply rearrange mining employment and encourage the loss of skilled jobs in the smelting industry. Raymond Goldie, a mining stocks analyst with Richardson Greenfields of Canada, said that Ottawa was wrong to support Cyprus Aerial because grants were at home—loans—and would remain there for the foreseeable future. And he pointed out that concentrate from most western Canadian mines is processed in Canada, while Cyprus Aerial intended to export concentrate to the Pacific Rim and Italy for smelting.

Prune said that the mine would produce as much as 550,000 tons of lead and zinc concentrates and three million ounces of silver by 1990. He said the 450 people. He also forecast an upswing in the current ore price of less than 50 cents per pound to 60 or 70 cents in two years. Prune added that his opponents constituted "a cartel."

Prune declared that the mine mine will not cause chaos in other areas because he is seeking new markets for Canadian ore in Pacific Rim countries such as Korea, in Italy and in Eastern bloc nations. Meanwhile, in Euro, where seven people and one teacher remain in the local school, many residents are claiming to be the mine actually operating again. "I have been a never-ending story," said Mel Smith, the manager of the Faro Hotel. "I think everybody here will believe it when they see it."

MART JARVIS is in FLORENCE, ITALY in "NIGHTMARE ON ELM STREET" and HILARY KILGUS is in Denver.



Credible: leading a surprise

## A well-computed gamble



Commodore's new Amiga: color graphics, sound, voice and hope for the future

On a wet evening last August, a Lear jet belonging to Commodore Electronics Ltd. took off from Toronto's international airport bound for the Philadelphia suburb of West Chester, the company's headquarters. The passengers were executives from two of Canada's largest computer chains and they were flying to meet with top-ranking Commodore executives. The money-laundering giant of the home computer business wanted to convince the two influential Canadian dealers that the firm was still viable.

Commodore also wanted to ease the worries that if they stocked the new Amiga personal computer the company would not undercut them by selling to rival merchants. In previous years Commodore lost the trust of Canada's computer chain owners when it supplied the Commodore 64 home computer to department stores and other mass merchandisers who sold it for less than the specialty computer stores. Bud Jones Tenney, president of I. & J. Associates of Toronto, which operates 25 ComputerLand stores in Ontario and Quebec. "We were selling at a loss because they would speak with us—and we got them."

Lacked, last week, with a national advertising campaign under way and Amiga's arrival at stores, Commodore had won the first round in its fight to convince itself from the waning computer market. Its temperate home computers, it is aiming for the "high end" of the market, including business and

professionals. Already, the Amiga is being sold by Toronto-based Computer Innovations, with 25 stores, 44 ComputerLand outlets and another 45 independent dealers across Canada.

The Amiga costs \$2,500 for the basic computer system and a color screen. A complete package, with a printer, memory expansion and extra disk drive will cost \$2,800 to \$4,000 and will compete with Apple Computer Inc.'s Macintosh and the leading IBM PC. Bud Andrew Toller, director of research at Evans Research Corp., a Toronto-based technology consulting firm. "Commodore has signed the two major Canadian chains, and that ensures there's some success."

According to retailers, the Amiga's impressive color graphics and its sound and voice features overcome their initial reluctance to deal with Commodore. Said Eric Hudson, owner of Windsor Computing Systems Ltd. in Calgary, "The Amiga will set the competition on its ear."

For its part, Commodore is depending on the Amiga to restore its reputation. For the year ended June 30, Commodore International lost \$113.9 million (C\$) on sales of \$303.1 million. Said Mark Stirling, president of Toronto's International Data Corp. (Canada) Ltd., a consulting firm. "Commodore cannot survive in the home computer market unless they are perceived as the future on Amiga."

—MICHAEL SAGIE in Toronto

## CAN SUCCESS BE ATTRIBUTED TO MEMORY?

The Strange Story of an  
Eminent Lawyer.

There was a lot of talk of success in the early 1950s. It was a very common word. It was a word of the group who were getting on in the world in the 1950s. It was a word of the group who were getting on in the world in the 1950s. It was a word of the group who were getting on in the world in the 1950s.

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# The little bank that could

By Peter C. Newman

**C**hief executives in Toronto are razzed to be collecting CIBC and Northern debentures to paper off their clients' bad news. So it's a real surprise that at least one western bank—Vancouver's Bank of British Columbia—has actually increased its deposits.

The surge of confidence in recent weeks is defying the centrifugal forces of Canada's financial system, which insist that every deposit that exists must be made within the golden belt of Bay and King streets in downtown Toronto.

"We've been enormously gratified by the support from people at the retail level," I was told by Bank of B.C. chairman Edgar Kaiser Jr. last week. "It means that there really does exist a grassroots longing for strong financial institutions in Western Canada. Most Canadians don't realize that in terms of its retail branches this bank is the seventh-largest in the country. The two recent Alberta bank failures have had a tremendous effect on the entire system—mainly because of the political debate that has been raging in Ottawa," says Kaiser.

The Bank of B.C. passed a recent audit by the inspector general of banks with no problems, and while there have been some withdrawals by Central Canadian investors, it has attracted more than its share of new deposits. Its retail business as a percentage of assets is among the highest of any Canadian bank.

The fact that the Bank of British Columbia has been able to hold out against the tide trying to drown regional banking signals something new and significant in Canada's financial world. Despite the best efforts of Toronto-based institutions and fawning by the central bank, Western-based banking has carved out and retained a strong constituency of its own. The current shake-out has left the B.C. group less and more convinced to take off and do something this country has yet to experience: imaginative, indigenous banking.

At the moment, the bank has about \$260 million in equity against \$3.3 billion in assets, which (at 15 to 1) ranks it among Canada's most conservatively leveraged major financial institutions. It has, by that measure, plenty of room to grow.

Unlike the CMC, the Vancouver-based

bank operates at the retail level, which means it has an active branch network and a solid shareholder base. And unlike the two defunct Alberta banks, it is not controlled by a small group of insiders, since Kaiser took over the number of shareholders has increased to 11,000 from 4,000, and the number of branches has moved to 61 from 51.

Kaiser's lightning takeover of Regina's Pioneer Trust Co. earlier this year moved the bank into Saskatchewan and Manitoba. Apart from Kaiser's personal maverick, the secret of the



Kaiser, grassroots longing

Bank of B.C.'s currently healthy outlook is that it suffered through its own salvage operation a year ago. Pacific had been floating out at about \$10 million a month, and dividends had been suspended, the bank's chairman, Trevor Pilley, was replaced by Kaiser.

Kaiser's first move was to sweep \$306 million in nonperforming loans off the bank's books at a loss of only \$45.9 million. He accomplished that

miraculously impossible trick by leading Calgary developer Jack Singer \$62 million to buy the cut-rate package of questionable paper from the bank. That transaction—completed on Oct. 20, 1984—reduced the bank's book value per common share to \$9 from \$17 but it saved the bank. Of the \$250 million Kaiser has raised since, he raised \$72 million through his own contacts. The refinancing also included \$6 million out of Kaiser's own pocket—no Canadian bank chairman has ever put that much money where his mouth is. Two public issues raised another \$84 million in new common shares and \$40 million in guaranteed floating-rate notes.

Meanwhile, Kaiser has also attracted some impressive new talent to his Vancouver office. Dale Parker, a former executive vice-president of the Bank of Montreal, now heads the Canadian banking operation. George Elton, who was two years away from being named president of the Bank of Nova Scotia, is vice-chairman, and Senator Jack Austin, the most public businessman-politician in the country, runs the bank's international division.

Hampseed by its relatively tiny asset base and operating in an environment hardly conducive to the orderly workings of regional banking, the Bank of B.C. still has a long way to go before it ranks as a big player on the national scene. The value of its stock (at \$5, down from a 1982 high of \$28.25) reflects pessimism rather than performance.

But the 46-year-old Kaiser is determined to make the B.C. bank the flagship capital pool of the four western provinces. He has privately pledged that he will spend the next 10 years achieving just that.

One secret of his success is the face of private but severe competitive pressure from the Big Six is that he is financing much of his capital growth outside the country—in fact, almost everywhere but in Ontario. The quality and quantity of Kaiser's international contacts are such that his bank has been able to bypass Toronto and obtain wholesale funds at favorable rates.

"What we're really trying to do," he told me, "is convince Bay Street—which does not yet have a vested interest in existing to believe that we're real and are very much here to stay."

Peter C. Newman's book, *Company of Adventurers*, is published this month by Viking.



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# The twisted case of a good Samaritan

The man who sat impassively in the prisoner's box in Room 29 in the St. Catharines, Ont., courthouse last week was a jarringly incongruous defendant. An effusive

Ontario nursing home. The entire family, including six children between the ages of 11 and 21, were regular members of the West Park Baptist Church in London. Indeed, the brick



George Pan (left) and associate Chris Muller (right) in court.

harmless-looking man was even more unexpected. Said Barrett: "There are two sides to the coin. You don't even have the other side."

Barrett, 55, a London drug dealer, told the packed courtroom that Bushman was in fact a cocaine addict who was attracted to law enforcement and that the businessman had hired him to arrange the murder. The testimony was in sharp contrast to the Bushman's reputation. Both were refugees from Eastern Europe who met in Kitchener, Ont., shortly after fleeing to Canada in the 1950s. After their marriage in 1961 they moved to a rural area, and by 1981 they had established a chain of a dozen southwestern

pillars at the gateway to their expansive estate in Kemoka—which includes tennis courts and a soccer pitch open to local children—are inscribed with a religious message: "God is Love."

Still, the Crown intends to prove that Bushman's stop on the remote stretch of highway last summer was not due to a Christmas impulse to help motorists with a disabled vehicle. Last week Crown Attorney Michael Martin told the jury that Bushman had paid \$50,000 to have his wife killed—and that he even helped to choose the site of the murder. The reason, according to Martin, although Bushman wanted to end the marriage, he wanted to avoid a divorce. Said Martin: "One reason he wouldn't consider di-

verting her is that in so doing he would lose the regard of his children."

As a result, said Martin, Bushman arranged for Hanna to be escorted as they were returning from Toronto's Pearson International Airport, where they had picked up their 14-year-old nephew, who was returning from British Columbia. When they spotted a blue Chevrolet Nova at the side of the highway just past the County Road 14 exit, which leads to their Kemoka home, Bushman stopped. Then the two assistants pulled Hanna Bushman from the car, pushed her over a guardrail and shot her through the head.

Last week Barrett, now serving a 10-year jail sentence in Quebec for conspiring to commit murder, testified that he had first met Bushman in a noisy London strip club in December, 1983, and began supplying the businessman with cocaine and prostitutes. Soon after, Barrett said, Bushman hired him to arrange his wife's murder. Barrett also testified that in May, 1984, he had worked as a gardener on the Bushman estate, although less than a month later Hanna Bushman fired him for selling cocaine to her husband. Under cross-examination by Bushman's Toronto defense attorney, Edward Greenman, Barrett said he initially believed that he could cheat Bushman without arranging the killing. But he added that he finally found a killer, because he feared Bushman would kill him if he did not.

Meanwhile, the media attention devoted to the trial—last week at least 25 journalists were in the courtroom—led Mr. Justice John O'Halloran to warn the 10-man, two-woman jury to disregard any sensationalistic reports. Said the judge: "What we don't want is trial by media." But although the trial was moved to St. Catharines because of widespread interest in the case in London, publicity seems inevitable. At week's end, Greenman, in a dramatic conclusion to his cross-examination of Barrett, produced an affidavit from Barrett's fellow prisoner, Daniel Norbert, who claimed that Barrett had admitted to him that he had arranged for the murder without Bushman's knowledge because Hanna Bushman had threatened to disclose his drug dealings to police. With about 300 witnesses still to be heard, the trial seemed destined to provide more surprises—and more attention.

—PAUL BERTON in St. Catharines

## UPWARDLY MOBILE

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## NISSAN MULTI 4WD



**NISSAN**



## A battle over frozen fish

Every year about 50 foreign factory trawlers—ships with crews and equipment that can catch, clean and freeze as many as 75 tons of fish each day—operate in cold-rich Canadian waters off the coast of Newfoundland. But a proposal by Nova Scotia-based National Sea Products Ltd.,

backed by the provincial government, to build the first Canadian factory trawler into the same waters has alarmed Newfoundland Premier Brian Peckford. He says the plan could threaten "our long-term survival as a people." And last week he warned Prime Minister Brian Mulroney it is a

31-page brief that if Ottawa approves National Sea's move, federal-provincial relations would be damaged. For his part, Deputy Fisheries Minister Ray Andrews went even farther, saying that such approval would jeopardize Newfoundland's Atlantic Accord on offshore oil.

At the root of the controversy is a controversial trawling practice: U.S. fast-foot fish companies prefer fish frozen at sea because it remains firmer after thawing and can be sold thinner. And when laid out in a fast-food restaurant, portions of thickly sliced fish look bigger than whole fillets of the same weight. But in Atlantic Canada the issue is far from trivial. Two years ago Newfoundland and the federal government negotiated a ban on factory ships fishing northern cod because of their potential effect on the shore-based fishery. But the current controversy first flared up last spring, when Skipper's Inc. of Bellevue, Wash., the third-largest U.S. fish take-out chain, cancelled an \$8-million contract with National Sea in Halifax and contracted with an Alaskan firm which fishes the northern Pacific with factory-freezer trawlers. Because of another \$20 million in similar contracts at stake, National Sea then applied to the federal department of fisheries for permission to operate a used factory-freezer trawler from a West German company which was selling one of them at the bargain-basement price of \$5 million. (A new one is worth about \$20 million, while a conventional "wetfish" trawler that does not freeze fish at sea costs \$6 to \$7 million.)

Over the past eight years National Sea has made two similar applications. Each one was rejected on the grounds that a trawler would undermine the shore-based processing industry. But now the Nova Scotia government has thrown its full weight behind National Sea. And the knowledge that Islanders and Alaskans are poised to take over lucrative contracts now in Canadian hands has intensified angry critics.

Peckford remains one outspoken exception. He says that the factory ship would poach fish that rightfully belong to Newfoundland. He also warned that one Canadian factory ship taking northern cod would inevitably lead to more and that as few as four such ships would seriously deplete the Canadian share of northern cod stocks, eliminate 1,000 jobs and "spill the rain" of his province's already hard-pressed inshore fishery.

Nom Scotia Fisheries Minister John Leefe responded that the premier is paranoid. Said Leefe: "Peckford seems determined to try to turn this thing into a three-ring circus, and I am equally determined not to be party



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to that kind of charade." For his part, National Sea president Gordon Cummings says that the idea for the new technology has arisen. He accused Newfoundland politicians of trying "to stop the clock" and argued that the 1983 agreement banning luxury travelers does not apply to Nova Scotia companies. He also said that factory travelers are ill-equipped to produce the fresh fish and one-pound frozen packages currently processed by Newfoundland plants at land. Said Cummings: "Packed and fresh fish will always be shore-based, and fresh fish is our fastest-growing product."

In a hurried meeting last week Cummings failed to convince Pickford that a well-regulated fleet of factory ships would not eliminate jobs at fish stocks in Newfoundland. The shore-based factory is forced to barge more than 20 per cent of Canada's 700,000-ton quota every year because the fish can only be processed at sea. Indeed, National Sea has fallen short of its own allocation by almost 60,000 tons each year over the past three years. It has not asked the government for a larger quota to serve the factory ships, which will process 15,000 tons a year—eight per cent of its annual allocation. Said Cummings: "Our application has stood up very well as a reasonable blend of economic reform and responsible corporate citizenship."

Shore so, many experts agree with Pickford's claim that "the appetite of factory-freedom travelers is insatiable." They argue that in the long term, it is not a case of an efficient, labor-saving technology in an industry suffering from scarce resources and too many fishermen will displace thousands of jobs. Said Ryley McNeilly, secretary-treasurer of the 25,000-member Newfoundland Fishermen's Union: "It is people vs. technology. We have to decide whether there should be an unfettered right for corporations to do as they see fit or whether they should do what is in the interest of Atlantic Canada as a whole." A 1985 federal government report on the travelers said that they have been used successfully in such labor-poor regions as Iceland and Alaska, but it added that in Norway, which has no labor shortage, the ships are already forcing workers out of their jobs.

It now seems unlikely that Pickford will be able to prevent the advent of Canadian factory travelers. But it remains to be seen whether the east-coast processors who use them will maintain their good corporate citizenship and not use their newfound capability to strangle Atlantic Canada's already established shore fishery.

By John J.

## LABOR

# A 'one-cigar' settlement

The meeting in a private suite of offices on the 14th floor of New York City's Pan American Building lasted only 15 minutes, but its resolution removed any doubt about the strength of the breakaway union (UAW-Canada (United Auto Workers)) and its president, Robert White. White emerged from the discussion with Chrysler Corp. chairman Lee Iacocca on Oct. 10, it was clear that a settlement between the company and UAW-Canada was imminent. Said Iacocca, referring to compensation provisions that were likely to form part of a U.S. settlement, "I've got to see \$50 million." Replied White, who engineered last March's separation of Canadian automakers from the Detroit-based international union in the United States: "It used to be said that the tail cannot wag the dog. But we have always believed that if you swallow the tail hard and square, you get the dog's attention."

The two men have come face to face in earlier contract negotiations. In 1982 White refused to accept concessions made by his American counterparts and led Canadian UAW members on a strike for higher wages. Shortly before that walkout began, Iacocca met White in Toronto in a fruitless bid to end the dispute. And White held out for 5½ weeks before settling for a 5.15 raise for Chrysler workers in Canada. As a result, he derided his position as the union leader in Canada and earned Iacocca's grudging respect for his negotiating abilities. Last week White's position was even stronger two days after the Manhattan meeting. 34,000 UAW-Canada workers voted 97.5 per cent in favor of a new pact. Said White: "It is a clear recognition that Canada is different and that Canadian negotiators don't have to wait on U.S. negotiators."

Indeed, while 70,000 UAW workers in the United States also struck Chrysler plants on Oct. 10, Canadian union members had satisfied their attainment and they returned to work two days before U.S. negotiators reached a tentative agreement with the company on Oct. 12. And at week's end, U.S. auto workers were expected to confirm their agreement—ending a risk that Chrysler's Canadian operations would run out of U.S.-supplied parts and have to lay off employees. In the same way as White's hard line convinced Chrysler to increase its U.S. wage increase in 1982, his meeting



White: a successful high-level meeting

with Iacocca paved the way for the U.S. agreement during this year's negotiations.

For one thing, the jumpstart "catch-up" payments—worked out during what White called "a one-cigar meeting"—his—compensable auto workers for the wage rate that they accepted when the third-largest North American car manufacturer faced bankruptcy in the late 1970s. With Chrysler reporting \$2.4 billion in profits last year alone, U.S. and Canadian union members in company plants now will enjoy parity with Ford and General Motors workers in Canada assembly plants that earned \$10.40 per hour—including a cost-of-living allowance—before the strike, received an immediate increase of 55 cents an hour and another 24 cents effective on Sept. 1, 1986. Active workers and 3,000 retired auto will receive \$1,000 payments.

White White was what he termed a "fastener" agreement, company and union negotiators were released by the quick end to a dispute that analysts estimate cost the automaker \$20 million a day in lost profits. Now Chrysler can resume making money while White savors the knowledge that his newly independent union has passed its first important test.

—BIL GUTEN in Toronto

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# A blueprint for equality

There are 7,500 women in the Canadian Armed Forces—and all of them are prevented from becoming fighter pilots, combat soldiers or sailors. But last week a parliamentary committee urged the federal government to stop excluding women from more than 40 armed forces trades and occupations which might involve them directly in battle. Indeed, the committee's 150-page report on equality rights recommends that the forces redesign their weapons and physical training programs to accommodate women. The committee added the forces should abandon their traditional insistence that female service personnel lack the physical strength for warfare and would need separate washrooms in combat zones. Declared the report: "If it became necessary for Canadians to fight in the defense of Canada, we feel that women have a right and a duty to share the burden."

Justice Minister John Crook appointed the seven Mps—five Conservatives including committee chairman Patrick Royer, one Liberal and one



Service women question about combat

New Democrat—to investigate how effectively all federal laws and statutes conform to the equality rights section of the Charter of Rights and Freedoms (Section 15 of the Charter, which took effect one month after the committee began its work, prohibits discrimination on grounds of race, national or ethnic origin, religion, sex, age or mental or physical disability.) To that end, the report contains 85 recommendations. It is a sweeping blueprint for change, which includes abolishing mandatory retirement at age 65, repealing RCMP and armed forces rules barring the recruitment of homosexuals (or discharging homosexuals found in their ranks) and making federal buildings more accessible to the physically disabled.

Crook pledged to introduce legislation dealing with at least some of those issues during the winter. And he said that the government is "open on all those issues." Still, committee member David Robinson, NDP member for Burnaby, declared that a lukewarm government response would be a major disappointment to Canadians who have suffered discrimination. He added, "It is precisely because these issues have been raised that Parliament must act."

—MALCOLM GRAY in Toronto



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# The last chapter of a storied season



Williams, the new manager of the Blue Jays, will pick up where Cox left off

Toronto Blue Jays fans barely had time to recover from the heartbreak of their hottest collapse in the American League championship series when they received more shocking news last week. "The World Series of the state of Minnesota," between the St. Louis Cardinals and the Kansas City Royals, was merely of passing concern; the Blue Jays announced that popular manager Bobby Cox, whom fans held in high esteem for his role in the 1985 World Series, was out of the team. Cox, who had been the manager of the Blue Jays since 1981, was fired after a 1-2 record in the 1986 season. The team's general manager, Billy Williams, said Cox had been "let go" after a 1-2 record in the 1986 season. The team's general manager, Billy Williams, said Cox had been "let go" after a 1-2 record in the 1986 season.

It was an appropriate final episode in the strange conclusion of the Jays' sixth and final season. Under Cox's leadership the youthful Jays won the toughest division in baseball, the American League East, and led the Royals three games to one in the American League championship. Toronto's place in history as the first non-American team to play in the Series and possession honors—nomination of the year for executive vice-president Ted Turner and manager of the year for Billy Williams—were all but forgotten as the team was eliminated for the season. And

48 hours after the last defeat, Cox went to Williams' office to sign a contract for 1987. Cox said Williams told him that Ted Turner, the Atlanta-based broadcasting millionaire and Braves owner, "had requested permission to talk to me I called Ted that night." Two days later Cox signed a five-year contract with Turner for a reported \$15 million. Cox replacement Williams, "When a club goes and wins 96 games and the division title, you sure don't expect the manager to be gone."

Cox had been under a one-year con-

tract, his fourth, with Toronto. Major-league baseball teams are prohibited from launching deals with personnel under contract to another club without permission. Cox's 1986 contract was not due to expire until Dec. 31, and the Braves approached the Jays in late September about offering Cox a position. Said Williams: "We indicated that we would grant permission as soon as we had finished the league final or the World Series. But they betrayed our confidence by leaking the story to the Atlanta media." Williams is expected to file an official grievance with the baseball commissioner's office.

The acronym surrounding Cox's departure was a sad last note to what was a successful and harmonious relationship. Indeed, the Jays stressed that their anger was in no way directed at Cox. For his part, Cox, 44, said that leaving the Blue Jays had been a painful decision. But he said that he was tired of commuting home only occasionally during the baseball season. New York City would spend more time with his wife, Pamela, and three children in their new home in Manhattan, Ga., just a 30-minute drive from the Riverdale County Stadium office. Said Cox of his move from Toronto: "I had to leave. No manager or employee could ever be trusted because I was I don't know who offered me what—if they doubted my salary—I would never have left Toronto but to go home. For the first time in my 26-year career, I put my family ahead of baseball."

The Blue Jays acted quickly to restore harmony by appointing Williams. In fact, the California native was the player and Cox's choice as a successor. Said Williams, who managed minor-league teams for six years before joining the coaching staff of the Jays in 1980: "I'm still surprised about Bobby, although maybe it's not so much a surprise when you look at his family situation. Maybe the biggest surprise is me standing here today." Williams signed a one-year contract for a reported \$300,000.

As the Cardinals and the Royals fought to decide the best team in baseball and baseball's world in 1985, the Jays began looking to next year. Said Williams: "We're thinking that they can pick up where Bobby left off. We just signed a new manager, that's all." He said the Blue Jays' fans.

—RALPH QUINN in Toronto



# The fraud of the 1980s

U.S. police say it has become one of the most difficult crimes to detect, and Canadian authorities are getting up to speed on it. At issue is a sophisticated new form of electronic crime that victimizes credit card holders and produces easy profits for the swindlers. Typically, the sting begins when criminals establish a dummy company and open special merchant accounts at banks, allowing them to cash credit card drafts for orders obtained over the telephone. Then they phone cardholders and offer a tempting bargain, like a free trip to Hawaii in return for a \$240 travel club membership. Once enough people have given their credit card numbers to pay for the membership, the thieves cash the drafts and disappear. U.S. officials estimate that variations of the fraud cost American banks \$25 million last year alone. Says Stephen Theoharis, counsel for Van International Service Inc. of San Francisco: "The con man has found a new toy. It is the fraud of the 1980s."

The recent crime wave has taken banks and credit card companies by surprise. Theoharis said that "even I was surprised at how easy it was." In the case of the California-based Riviera Travel Club, Visa and MasterCard International Inc. of New York alleged in a recent civil suit that West German businessman Bernard Drilling and his U.S. partner, Edward Kinn, offered more than 15,000 credit card numbers to Russia and defrauded 12 banks in six states of \$3.1 million over three years.

According to Visa and MasterCard, the officers of the Riviera Travel Club took only three months to obtain drafts worth almost as much. In a civil suit the companies brought jointly against Executive Gold's owners, Roy Cantor and Laurence Berry, they alleged that the two set up a sophisticated "boiler room" with 360 telephone swindlers. They also alleged that the pair used stolen long-distance access numbers for \$250,000 worth of long-distance calls and even attempted to pay for part of their \$275,000 phone system with unreturned credit card drafts. In both cases the companies were preliminary injunctions prohibiting the clubs from operation, and criminal charges are pending against their owners.

If cardholders complain about the false charges, they are paid by the banks. As a result, several U.S. banks are setting up crash courses for employees on how to spot the credit card fraud and are screening applicants for merchant ac-



Theoharis with case Visa says painful

counts more rigorously. And for their part, Visa and MasterCard, both of which have lost several hundred consumers due to the scheme, are presently using suspected credit card numbers. Said Theoharis: "We are making it as unpleasant as possible for them."

But banks and credit companies are not the only ones affected. In 1983 legislative telephone sales companies did an estimated \$15 billion worth of business in the United States, and industry experts estimate that the business is growing by 20 percent each year. Joanne Ross, director of sales for the Washington-based Direct Marketing Association, said that the computer fraud is a major concern for legitimate operators. "It makes people wary of doing business over the phone," he said.

Although the credit card companies say that electronic fraud is not yet a problem in Canada, bankers are taking measures to prevent it. Douglas Lee, security supervisor for the Bank of Nova Scotia's credit card operations, said that such schemes will be easier to detect in Canada because only eight financial institutions control merchant credit card accounts. But if they do discover any, the U.S. experience suggests that it will only be after they have lost a considerable amount of money.

—PAUL BERTON in Toronto

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## Quests of life and death

THE GOOD APPRENTICE

By Iris Murdoch  
(Academic Press, \$69, pages, 312, \$24.95)

Edward Raltrum is bright, privileged and only 30 when one well-intentioned prank results in the death of his best friend. Then Edward's whole life crumbles to bitter ashes. Strapped by guilt and self-hatred, he struggles miserably from day to day, living "like a fish at the bottom of a dark lake." In *The Good Apprentice*, her 15th novel, Anglo-Irish writer Iris Murdoch spins a subtle and high-spirited fable out of Edward's misery. But in contemporary England, the novel covers ancient literary ground: using the myth of the Wasteland, the kingdom forever chained in a living death, she charts intertwining quests that descend through despair and back into the land of the living. Her pilgrimages are at once casual and deadly earnest. And like Murdoch's novel of romantic obsession, *The Sea, The Sea*, which won the Booker McConnell Prize in 1978, *The Good Apprentice* conjures up bleak ter-



Murdoch: spinning fable out of misery

rors only to blithely dispel them.

A heady combination of mythic enchantment and biting social satire, Murdoch's tale grows around two lost boys: Edward is the illegitimate son of Jesse Raltrum, a forgotten painter once notorious for his tempestuous private life. The boy has been raised by a charming but unsuccessful man named Harry Cusins, who scolded Edward's mother after Jesse abandoned her. A failed politician and never-elected politician, the twice-widowed Harry regards personal happiness as man's only reasonable goal. Edward's profound grief over a regrettable accident baffles Harry, but the behavior of Stuart, the son of his first marriage, angers him.

Stuart, the "apprentice" of the title, has left a university career and embraced efficiency as part of a self-constructed curriculum in "goodness." Unable to articulate his despair, he is tormented by the image of girls' braids piled in glass cases in the museum at Assolviata, a sign of "innocent suffering, pointless suffering." In a brutal century. Determined to be a saint without a God, Stuart tries in his clumsy way to work off the debt of human depravity through living by moral absolutism. Like Edward, he is imprisoned by conscience, seeking guidance and yet fearing the consequences.

Family friends discuss both young

men endlessly, but only psychiatrist Thomas McCalderville gives them a sympathetic hearing. Almost seduced by the power of psychology, Thomas longs to trade it away for his country cottage and lavender. Murdoch seems to take wicked pleasure in showing how slightly people who live together know each other. Thomas, preoccupied with work, is oblivious to his wife Midge's longstanding affair with Harry Cusins. And when Thomas engineers Edward's perilous pilgrimage to his father Jesse's house, he also unwittingly sets in motion forces that send Harry, Midge and Stuart spinning off to an enthralling confrontation.

Edward's asylum in Jesse's home in Beograd near England's east coast forms the magical heart of the novel. Taken in by Jesse's eerily youthful wife, Mother May, and his two half-sisters, Edward is told that Jesse is away but will soon return. At first, he welcomes the women's creeds of piety and perpetual work. But as he waits for his father's return and forgiveness, Edward begins to pull away from Mother May's efficient little house.

For all its pure principles, wittily revealed by Murdoch, Beograd is a traditional city-state. Edward becomes bored beyond its borders by the passionate colors and sounds of nature that mirror the slow regeneration of his heart. On one of his forays he glimpses a fierce, brown-haired woman. Though her love and forgiveness emerge not as elusive abstractions but as specific things that people offer one another, Edward is ultimately forced to cure himself after he discovers that Jesse is as flawed as his kingdom. The discovery precipitates the destruction of Beograd and a host of comic liberalisms. Mother May turns vindictive, while the fickle Midge feels anguish for the first time as she must choose between the charming Harry and the suffering Thomas. As for Stuart, his crusade for goodness leads him into the teaching profession.

More emerges in the course of *The Good Apprentice* than in its resolution. One by one, Murdoch's characters come to the conclusion, as the girl that Edward meets at Beograd did, that "one must think about the happiness one can create for oneself and others." Murdoch's recipe does not differ greatly from Sigmund Freud's prescription for happiness, "love and work," but she adds art to the list. While *The Good Apprentice* may lack the brutal, viridgery force of the myths Murdoch so subtly deploys, it is a wonderfully accomplished testament to her conviction that art, like love, is one of the comforts that human beings may borrow on one another.

—RENEE RENDGEN

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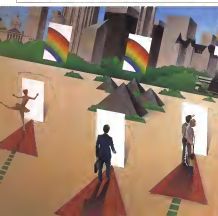
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## An Ivy League scandal

Since 1974 undergraduates at Harvard University in Cambridge, Mass., have relied on a student-edited guide to help select their courses—and the staff members who teach them. But last month the 1986 edition of *CRC*—named after the university-financed Committee on Undergraduate Education, which publishes it—came with a written disclaimer from the editors. It said, "For the first time in the recent history of the *CRC* guide, university administrators have restricted the editorial freedom of this publication." Indeed, *CRC*'s 1986 editor, Barbara Olson, charged that Dean Whittle, director of Harvard's office of institutional research and evaluation, had demanded the alteration of softening comments about several staff members—and threatened to halt publication and disavow *CRC* staff unless the changes were made. Said Peter Howe, an editor of the daily Harvard Crimson: "The job being made is that here in this school with the motto *veritas—truth*—supremacy the truth with censorship." *CRC* bases its evaluations on student



Harvard censoring student evaluations

and questionnaire, handed out voluntarily by as many as 80 per cent of Harvard professors before exams at the end of each semester. On Canada's major papers are usually published by university student associations. At Harvard students are asked to rate professors and courses on a scale of 1 to 5, and space is provided for any additional comments. In the past these comments have often resulted in negative evaluations—without administrative repercussions. This year administrators asked that 17 of 250 course evaluations be altered, among them a comment about one history professor stating that "one-fourth of the respondents find him arrogant, or overbearing." The pro-vice-chancellor "find him somewhat distant and firm in his opinions." Said John Lilly, *CRC*'s 1986 editor: "I think if people look over past years of the guide they will find similar, if not harsher, comments."

The controversy has left university officials at odds with one another. Whittle, who says that he made "suggestions" to *CRC*'s editors, added that some form of administrative direction is warranted. Said Whittle: "One doesn't take assigned statements, written by students and necessarily use those exact words to represent a position. But for all the surveys and collecting data, but it seems to me that some reasonable standards can be concocted." But Steven Omer, associate dean for undergraduate studies, joined others in stating that students retain editorial control.

Still, Omer says the subjectivity of student evaluations means that overly negative comments can be damaging. The reason senior faculty members often use the guide's evaluations to judge the performance of junior faculty members and teaching assistants. Said Omer: "To have an official document labelling these people as lousy teachers in the first or second year of their career is highly prejudicial. It has a way of becoming a handicap for these few who are so labelled." As a result, he says, Harvard faculty members to use the guide only as a supplement in evaluating the work of younger teachers.

Meanwhile, a recent poll conducted by the *Crimson*—which publishes its own course guide—found that as many as one-third of the candidates for this year's student government listed the need to resolve the *CRC* controversy among their top priorities. Indeed, unburdened university administrators say that they will now decide on a firm policy. For his part, editor Lilly says that Harvard has no choice but to delegate editorial control to the student editors. Declared Lilly: "That's the only way we will have any credibility."

—BRIAN JEFFREY STREET in Toronto with newspaperian reports

## An exodus from the 'Street of Ink'

Esquimaux Joseph Addison and Richard Steele produced the first issue of their new and influential journal *The Tatler* on London's Fleet Street in 1709. And in 1834 journalist and novelist Charles Dickens gloried in the reputation of being the best shorthand reporter on a street that now houses some of the most influential newspapers in Britain—among them

Australian publishing magnate Rupert Murdoch. Indeed, Murdoch's News International group has spent \$115 million on a new printing complex for *The Sun* and the *News of the World*, which have combined sales of 30 million copies each week.

At the same time, publishers of the conservative *Daily Telegraph* and *Sunday Telegraph* (with Toronto's *Examiner*

the cramped basements of Fleet Street production methods have changed little since the days of William Waverley. Newspaper men still use "doodlers"—hot metal typecases—to cast every word in lead. Print unions, fighting to protect their members' jobs and high wages, have resisted management attempts to change staffing levels and introduce new technologies.

Many of the 30,000 Fleet Street printers now earn about \$805 for a four-day week and work part-time for another newspaper on the weekend. Indeed, in some cases employees receive money for doing to work at all—beneficiaries of a practice known as "hot wages." According to contracts negotiated with the print unions, workers receive extra pay if they print more than a specified quota of pages or photographs. As a result, management routinely sets staffing levels slightly higher than necessary in order to avoid paying huge sums every time the newspaper expands its editions. The *Telegraph* alone has 1,000 production workers in London. But Stuart Gorman, a senior labour relations adviser to the British Newspaper Publishers Association, said that a much smaller staff could put out the newspaper's weekday production run of 12 million. Declared Gorman: "Newspapers are greatly over-manned and grossly overpaid. You could probably run the industry quite efficiently with 20 per cent of the production people you have got."



Fleet Street: escaping the antiquated routines of a centuries-old newspaper centre

*The Guardian* and *The Times* (at rising costs and shrinking profits as the "Street of Ink" are threatening that long association. As a result, at least four major newspaper groups are planning to move their printing operations to more modern, and less expensive, locations. Their new home: the abandoned wharves of London's docks, four kilometres to the east and the site of a multi-billion-dollar urban regeneration project. Said London's Decolands Development Corp. spokesman Patrick Frymanax: "In five years Fleet Street will have moved to exist, it will be down here."

The list of national newspapers planning to relocate in the docklands ranges from such publications among the so-called "quality press" as *The Times* to such movement laggards as the septuagenarian *Sun*—both newspapers owned by

Conrad Black (owning 14 per cent of the operation) will have a \$445-million plant on the Thames by 2002. And Associated Newspapers, owner of the *Daily Mail* and *The Sun* in London, will spend \$190 million on a new riverside site. As well, Mirror Group Newspapers owner Robert Maxwell, publisher of *The Mirror*, *Sunday Mirror* and *Sunday People*, says that he is considering a similar move. That would leave only five national newspapers, including the Provincial *Telegraph* and *The Observer*, printing on Fleet Street.

The planned moves have left labor and management locked in a fierce struggle over technological innovations which could reduce the number of workers needed to produce the papers in Canada and the United States such advances as computerized type-setting have kept newspaper costs down. But it is

At the same time, provincial newspaper owner Edith Shah has taken on the print unions and won. Last year Shah used computer technology to keep publishing *The Observer* in London, a five-weekly newspaper established 300 km north of London, despite plant fires thrown up around his plant by members of the National Graphical Association. Now Shah says that he will use the same methods to publish a new national daily in London early next year. Indeed, Shah says that he is convinced he can break even by selling only 300,000 copies daily—using a combined editorial and production staff of 600 employees. As a result, he has sent a clear message to his future rivals who are trying to escape the antiquated routines of Fleet Street: adapt or fold.

—DAVID NORRIS in London

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### THEATRE

## A cosmic spoof on sex

**SHE DEVILS OF NIAGARA**  
By Maria Jackson and The Chibbettes  
Directed by Bob White

Toronto's Chibbettes are the world champions of lip-synce—the satirical art of dancing while silently mouthing the words to taped songs. Watching *The Chibbettes* in wit and invention is writer Maria Jackson, who froms their outrageous choreography in *She Devils of Niagara* with a challenging script that ambitiously spoofs pre-synching, Marshall McLuhan and intergalactic romance. Unfortunately, in the production at Toronto's Factory Theatre the two point agents never blend properly, and *She Devils* ends up serving huge proportions of inconsistency among entertainment.

Buried under Jackson's jokes is a narrative of bewildering complexity. Lea (Louise Garfield), Jan (Janice Hladik) and Jo (Johanna Householder) are aliens from outer space who have fled the high unemployment rate on their home planet and landed in the city of Niagara Falls in 1988. Trapped on Earth by a mysterious cosmic force, they find a planet "governed by the laws of 'nose-garden'" in order to prevent the extinction of man ("the great sperm male"). All women must behave like "cock roach" and are harassed by the "gender police."

Sex is available only at government outlets, babies come from sex tubes, and love is forbidden. Each character struggles to find an escape while in exiles. Time travel is a wild mission, Lea travels

in evolution and falls in love with a turtle Jan, a scientist used for sex, fiddles with genes and hormones in search of a personality that will produce "orgasmic furniture" and liberate the planet.

Filled with surreal energy, *She Devils* generates many moments of theatrical genius. The Chibbettes specialize in songs and monologues that celebrate male power and rituals, especially singing are Paul Anka's *Two's Company*, *My Baby* and a rock-band parody in which the trio wears bodywatts adorned with male muscles and genitalia. Lea's initiation of a "brater plucking" a duck and Jan's seduction lines in the style of Maurice Chevalier are classics.

But it is difficult to understand any of the plot before the second act. The neo-surreal technical demands of *She Devils*, including dozens of changes in its Shawn Kerrin's bizarre and stinging costumes, leave few opportunities to illuminate the overly sophisticated script. Also, the Chibbettes' acting is not strong, and Johanna Householder, whose role is poorly defined, suffers most in that regard. Instead of stylizing and simplifying their dialogues to match the songs, director Bob White has allowed the house elements in the story to drift aimlessly apart. *She Devils* is a tumbling barrel of laughs, but its structure is too frail to prevent the occupants from drowning in their own good humor.

—MARK CHARTWICK



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## The UAW's new benefit

For many employees in large firms, company-subsidized pension plans and dental coverage are now routinely accepted fringe benefits. But 55,000 Canadian members of the United Auto Workers union at General Motors of Canada Ltd. and Ford Motor Co. of Canada Ltd. plants will see new standards in contract benefits next month when the most comprehensive company-paid legal plan in the country—negotiated in Oct. 1984—takes effect. Then, workers at 14 GM and four Ford plants in Ontario and Quebec will receive a wide variety of free legal benefits including drawing up a will or closing a house sale.

And retired auto workers and employees at Ford parts distribution centres, which are located in every province west of the Maritimes, will also have free access to lawyers for noncriminal legal matters. Said Ronald Yurchi, an assembly line worker at GM's Oshawa car plant: "The plan sounds great to me." Added Yurchi: "I hope to buy a house in the spring, and it will take care of the legal fees."



O'Brien: company subsidizes legal aid

The UAW plan goes into effect six years after 55,000 UAW auto workers at GM, Ford and Chrysler plants began enjoying similar benefits. Still, it will be the largest plan of its type in Canada, and its very size has raised concerns about the effect on the legal community of such cities as Oshawa, Ont. There, many of the 200 lawyers serving a regional population of 250,000 say that the plan will cost them clients among the 56,000 GM auto workers, retired employees and immediate relatives that it covers. The reason: the plan's administrators will send clients only to lawyers who agree to follow the fee schedule. Although these rates were still under discussion, the plan is likely to pay only slightly better than the province's legal aid system.

With average annual salaries of \$30,000, auto workers usually do not qualify for legal aid. But under the new provision a lawyer retained by a UAW member in an uncontested divorce will probably earn little more than the \$500 legal aid fee. Yet despite initial misgivings, the Canadian Bar Association, the Law Society of Upper Canada and the Quebec Bar Association have approved the concept. Said Garth Manning, chairman of the bar association's special committee on prepaid legal services: "We have no objection to the idea of prepaid legal plans." Added Manning:

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"We think that they are here to stay."

Because the Canadian insurance company offers such an extensive prepaid legal package, a central office in Toronto will process claims for the UAW under the direction of a lawyer approved by both the union and the companies. As well, three union and three company representatives under an independent chairperson—University of Windsor president Ron Isaac—will form the plan's administrative committee and monitor the performance of regional law offices. The Ontario regional office, for one, will begin with three lawyers handling such services as insurance claims, personal injury proceedings and real estate closings, minor traffic offences and parking tickets.

To fund the legal program the two automakers have agreed to pay three cents for every regular hour worked by each union member during the next three years of the current collective agreement. As a result, GM will pay out about \$2.4 million during the next 12 months, with Ford contributing \$2.6 million.

Still, many critics complain because GM and Ford employees using the plan will not be free to choose their own lawyers. Ontario workers must first go to their local plan offices for legal help. Then, if the staff lawyers are too busy or if they feel they lack expertise in certain areas, the efforts can take their case to lawyers in the community who have accepted the plan's fee schedule. As well, a client who decides that he is dissatisfied with the legal work performed under the plan may take his complaint to the committee composed of the provincial law societies. Said Gary Volosin, an Ontario lawyer: "We are supposed to be run by the Law Society of Upper Canada. We don't need another governing body." Added Bernard O'Brien, another local lawyer and president of the Durham Region Law Association: "In effect, they are undermining the independence of the bar."

Volosin says that the automakers should have complete freedom of choice when picking a lawyer. And the bar association's Manning says he is concerned that law societies may not be able to discipline their members if the UAW plan's administrators do not press along complaints. Said Manning: "Law societies may never hear about the lawyer who is going bad or, worse, who is scolding clients." Still, UAW workers say that the plan is bound to help local lawyers. Said David Thompson, recording secretary for Ontario's Local 202, with 34,000 members: "The plan is good for the community, our members and the lawyers in the area. The benefits are going to be used. There's no doubt about it."

—JUNE BOGERS in Toronto

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# A risk of birth defects

**I**n medicine, the introduction of new drugs that make significant changes in people's lives is still rare. But when Hoffmann-La Roche Inc. introduced Accutane in the U.S. market three years ago, it gave dermatologists a much-needed tool to treat the five per cent of severe acne sufferers whose skin

eruptions can leave permanent physical and emotional scars. Accutane—a vitamin A derivative—helps so much pressure that regulators in Canada and the United States decided to approve it despite firm evidence from animal trials that the drug leads to major birth defects if taken during pregnancy. As a

result, the drug was packaged with explicit warnings against that danger. But a recently published study, which has confirmed that Accutane is as likely to produce birth defects as the notorious sedative thalidomide, strongly indicates that those warnings are not always heeded.

The study, conducted by the Atlanta-based Centers for Disease Control in conjunction with Hoffmann-La Roche, examined 181 women who took Accutane while pregnant. Almost 90 of them underwent induced abortions, and 13 aborted spontaneously. But of the others, 58 delivered normal infants and 21 delivered infants with malformations including defects of the heart, brain, skull and thyroid gland, near the neck. Three of these children were stillborn, and nine others died shortly after birth. But of more concern to the researchers was the fact that of the 20 women in the study whose birth control status was known, two-thirds were either pregnant when they started taking Accutane or did not use any contraceptive while taking it. Another third of the women conceived despite contraception. Said Hoffmann-La Roche spokesman Sheila McKinnis: "What it means is that two-thirds of these pregnancies could have been avoided."

Still, the company does not plan to stop making Accutane. McKinnis said that in addition to labelling Hoffmann-La Roche has taken measures to inform doctors, pharmacists and consumers of the drug's effects. And Brian and Wilshire Canada spokesman Dr. Agnes Klein said that doctors routinely "put the fear of God" into women far when they prescribe Accutane. Some doctors now insist that young women take birth control pills and have pregnancy tests before they prescribe the drug. But others feel that they have no right to impose such conditions. Said Dr. Robert Lester, head of dermatology at Toronto's St. Mary's Medical Centre: "If you have a young girl who says that she is not sexually active, you are hardly going to send her down for a pregnancy test."

Almost all doctors agree that Accutane's potential for harm disappears about a week after patients stop taking it. But some say that the problem of birth defects will persist simply because Accutane is almost certain to remain popular. Declared Accutane researcher Dr. Lewis Halperin: "The drug does what it is supposed to do, so a lot of women in their child-bearing years are potentially exposed." And as long as some of those women continue to ignore their doctors' advice, as well as the large bold-faced warning on the package itself, tragic birth defects from the use of Accutane seem to be inevitable.

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## Tales in search of drama

ONE MORE FOR THE ROAD

By George Ryga  
Directed by Diana Spencer

In 1967, when Canada was caught in the patriotic spell of its centennial, playwright George Ryga arranged the nation to take a more critical look at the nation it was celebrating with the haunting play, *The Ecstasy of Miss Joe*, described how an Indian woman was destroyed by moving to Vancouver's slum road. Ryga's latest play, *One More for the Road*, which recently opened at Vancouver's Playhouse Theatre, offers proof that his acute social conscience is still powerfully engaged. But at St. Ryga's creative vision has grown darker in his world women wear "batter skulls" and hard-drinking men "tumble between tables in places of sadness and despair."

*One More for the Road* is a one-man show in which a grizzled, backwoods storyteller (Dick Clements) relates homeless tales about his long life and lost loves. For the most part, the play is a rambling series of homeless inter-



Clements narrates from the backwoods

spersed with banjo-playing and folk songs. The spare set, simply furnished with chairs and a table against a black backdrop, provides a cradle for the old man's memories.

As the demented Everyman, Clements manages to make even the highest flights of Ryga's populist poetry ring true and clear. On the subject of British Columbia politics, the narrator says, "There was an election once, but I don't remember voting for poverty." He also criticizes people who pray to a "plastic Jesus" as a means of finding a "fast" meaning to what life and death is all about.

Still, *One More for the Road* lacks dramatic intensity. Often the production seems reduced to a reading. With clumsy staging, Clements is left fumbling, looking uncomfortably for things to do with himself. And because the setting takes place in such disparate points on the globe as Amsterdam and British Columbia, some attempts should have been made to create distinctive atmospheres. Director Diana Spencer has made no attempt to connect stories in a coherent way. Instead, the play's surreal approach leaves a sensation that a faulty album has been thrown open, with most of the yellowed pictures coming unglued.

—JANE THARA

## The Pentagon funds a walking robot

The image is startling: a three-ton mechanical exoskeleton crawls slowly across a rugged landscape, scanning the terrain with infrared eyes. But instead of moving on tracks or wheels, the huge robot walks on six legs. For almost 20 years researchers around the world have been trying to develop such walking machines. Now a 40-member research team at Ohio State University in Columbus is close to translating that science-fiction image into reality. Indeed, next November the team's adaptive suspension vehicle (ASV)—a six-legged, 17-foot-long computerized robot—will begin undergoing field trials at Ohio State's Transportation Research Center. The first walking machine designed for outdoor use, the \$5-million project is funded by the U.S. defense department's Defense Advanced Research Projects Agency (DARPA). The reason: vehicles such as tanks cannot be used in extremely rough terrain, but the ASV is designed for such conditions. Declared professor of mechanical engineering Kenneth Waldron,

one of the team leaders: "This is the first fully self-contained outdoor machine."

The ASV, developed under Waldron and team leader Robert McGehee, professor of electrical engineering, is powered by a 90-hp Kawasaki motorcycle engine. The eight-foot-high machine's 17 con-

structioners are also trying to develop a sensor system for the ASV's legs, which would sense obstacles and transmit the information to the computers. Although the vehicle will need a human driver to control direction and speed, researchers are beginning to develop the hardware and software necessary for a fully autonomous ASV. In fact, McGehee says that in next year's field trials the machine will operate with limited autonomy, and manual control will be necessary only in case of mechanical malfunction.

The ASV project dates back to the mid-1960s, when Rayko Tomazic, a professor of control engineering at Yugoslavia's University of Belgrade, visited the University of Southern California and asked McGehee, then an assistant professor there, whether it would be possible to build a four-legged, computer-controlled walking machine. McGehee responded by constructing such a machine—the first of its kind. But because the 100-lb vehicle had only four legs, it lacked stability. As a result, McGehee

*The sci-fi vehicle may be able to stride such fragile ecosystems as arctic tundra with little damage to vegetation*

patents—each capable of containing 128 kilobytes, or more than one million bits of information—are programmed to coordinate leg movements. As well, they receive information about the surrounding terrain from the ASV's infrared "eyes"—sensors connected to a radar system—and pressure sensors in the



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# THE ORIENT:

begin working with a six-legged design after moving to Ohio State in 1988. Indeed, funded by the Washington-based National Science Foundation, the second effort, the one-legged, walked under controlled conditions in 1992.

That 300-lb vehicle was the first to be equipped with electronic sensors that calculated its distance from the surrounding environment and helped direct it over obstacles. Said McGhee: "The machine demonstrated the feasibility of rough-terrain locomotion by a walking machine with the operator providing only speed and direction commands." Still, these early devices were not self-contained, and the driver steered the machine with an external joystick. But the results so impressed DARPA that in 1979 the agency asked McGhee to design a larger machine that could move at night under an hour in rough terrain and carry payloads weighing at least 500 lb as well as an operator.

According to Waldron, the ASV will be capable of walking through forests, bogs, desert sand and up and down steep hills. As well, the machine will be able to cross ditches up to nine feet wide and obstacles up to seven feet high. Scientists say that the military applications of the ASV are obvious. Said Waldron: "The army estimates that about half the earth's land surface is not accessible to



McGhee: designed for rough terrain

wheeled or tracked vehicles. They are viewing this as a transportation system for the other half."

The scientists say that they have not really studied the machine's possible applications. But they say the ASV's primary application will be in nonmilitary situations. For one thing, a legged vehicle can move over fragile ecosystems—such as arctic tundra—with a minimum of damage to vegetation because its feet make less contact with the ground than the tracks of a tank. Waldron also says that because the ASV will not damage the root systems of trees, it could be used in the forestry industry instead of tractors. And modified arms could be useful in high-risk situations—such as inside nuclear reactors.

One problem that the Ohio State team had to overcome was developing software to co-ordinate the ASV's leg movements. To that end, they turned to natural models for clues. Indeed, Ken Pearson, professor of physiology at the University of Alberta in Edmonton, studied the movements of locusts because they are also hexapods. But although the four-month-long study yielded important information about how insects co-ordinate their six legs, the locusts were too clumsy to provide a proper model. Explained Pearson: "Insects will use their bodies for support



Adaptive suspension vehicle: an ability to cross bogs and nine-foot-wide ditches

—if they fall, it's no big deal. That's out of the question in a machine."

Waldron explains that the ASV will not be a fighting machine because it cannot be equipped with sufficient armor. As well, it would not move quickly enough to evade any incoming rockets. But the Ohio State researchers have

already started designing a more agile, four-legged machine capable of moving at speeds of up to 10 miles an hour. Under a DARPA subcontract, researchers at the Environmental Research Institute of Michigan in Ann Arbor are now studying the walking abilities of goats — among the most agile quadrupeds.

—in order to gain useful information. McGhee says that in two years the Ohio State team will test the concept by reviewing the ASV's middle pair of legs. In four years he says he expects to have finished a machine that will prove the viability of four-legged vehicles.

Meanwhile, the research team has not yet tested the ASV on a walk, although the scientists are now tracking the vehicle's leg movements. Later this month the ASV's standing ability will be tested, and early next year walking trials are scheduled to begin. Although McGhee says that important pieces of equipment—such as some form of direction-finding device—will have to be developed before the machine is capable of operating without a human driver, there has already committed another scientist to the project. Says McGhee: "The future promises held by research into artificial intelligence—the so-called fifth generation computers that will be able to 'think' for themselves—will have a tremendous impact on walking machines. Declared McGhee: "Two decades ago I realized that a walking machine under autonomous electronic control would require a very high order of computing power. Today that goal is within reach."

—PETER KOPPELBERG in Toronto

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# Artifacts from the end of the rainbow

ALWAYS COMING HOME

By Ursula K. Le Guin  
(Fantasy & SF Weekly,  
335 pages, \$26.95)

Ursula K. Le Guin, the queen of American fantasy writers, has based her new novel on an ancient premise she introduces it as an "archaeological dig" into the distant future—a search for "shards of the broken pot at the end of the rainbow"—and extends the metaphor to extraordinary lengths. *Always Coming Home* is partly a suspension of stories, poems, plays and songs from the Kesh, a peaceful people living in a northern Californian valley. Accompanying these literary artifacts are anthropological essays that explain the lifestyle and language of the Kesh in minute detail. The book includes drawings, charts, maps, recipes and a glossary listing more than 500 Kesh words which Le Guin invented. And it all comes in a box with a cassette recording of Kesh music. Le Guin "reconstructs" the future with such thoroughness that it becomes as tangible as the past. "Whisk is farther from us," she adds, "those whose bones lie under the thistles and the dirt and the scruboaks of the Past, or those who slip weightless among molecules."

For the Kesh, time is an open landscape rather than a straight line, and Le Guin's writing obeys the same perspective. Woven through the text, the only substantial narrative is an autobiographical story by a woman named Stone Telling. She lives with her mother in one of the valley's new towns, where the Kesh practice a primitive yet enlightened ecoconsciousness in dyadic harmony with nature. Stone Telling's father, however, is one of the Conder people, a brutal warrior tribe which lives to the north in a city on a black lava plain. She makes the mistake of following him to his home and is trapped in an isolated society where women are slaves. The Conder people lack grace, wisdom and humor. Their way, Stone Telling complains, is "without clover or clovering, straight, single, terrible."

Stone Telling's childhood around lacks some of the basic elements of character and intrigue that have made Le Guin's previous novels so gripping. But *Always Coming Home* is not designed as a conventional novel with a beginning, middle and end. Instead, its narrative fragments form a picture of a people built together by ideas rather than events. The Conder people, with their military

technology and aversion to God, are throwbacks to the earliest industrial age. And the author uses them as a foil to highlight the communal qualities of the Kesh, whose word *omahd* means both "to be rich" and "to give." Keyed to the rhythms of nature, Kesh culture echoes the traditional beliefs of native



Le Guin schooled the traditional ballads and myths of native societies

societies. Although the Kesh have no gods, everything from their dance rituals to their town planning is patterned after the natural world. The spiral reflects that, serves as "an inescapable metaphor" for the sense of mystical unity pervading their culture.

Le Guin is most compelling when she plays with the links between existing society and her distant future. According to Kesh creation myth, life on earth has ended numerous times with meteor showers, ice ages, floods, volcanoes and finally with a holocaust that caused "trees and smoke and bad air and then ice and cold and cold." Eventually, life returned to the earth, but for a long time "even the rocks were dark." The actual history is vague because the Kesh have little interest in any chronology more complex than the cycles of the moon. And they have developed a whimsical attitude toward technology: their railway has trains with leather couplings and wooden wheels that ride on oak tracks. Although they have free access

to a planet-wide network of cybernetic computers called the City of Illud—a system with a bottomless memory, belonging to no one—they rarely bother to use it. Explains one Kesh architect: "It keeps the dead. When we need what's dead, we go to the Memory."

Part social satire and part utopian

biopunk, *Always Coming Home* strikes an uneasy balance between contrivance and enchantment. At a time when such novelists as Dashiell Hammett and Margaret Atwood have turned to science fiction to suggest their feminist visions, Le Guin, who pioneered that connection, is destroying and rebuilding science fiction from the ground up. In one of her 14 previous novels, *The Wind of Earth*, she defined a wizard's magic as his ability to discover the secret causes for things. With the arcane lesson that she has invented for *Always Coming Home*, she may have taken her own wizardry too far. The result is not a novel so much as a cult-in-a-box, and readers might well expect a boxed game and a rock video to be sent as the Kesh agenda. But despite the cloying generosity of Le Guin's approach, she has created a deceptively that works—a spiral staircase that offers the reader a breathtaking view at the expense of a tedious climb.

—ERIN D. JOHNSON

# DISCOVER



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## Diefenbaker's family letters

PERSONAL LETTERS  
OF A PUBLIC MAN  
Edited by Thad McFory  
(Doubleday, 255 pages, \$12.95)

John Diefenbaker was one of Canada's most colorful and controversial prime ministers, but the bulk of his private correspondence with his family was no more exciting than a rainy Sunday in Saskatoon. Why Toronto journalist Thad McFory thought that the

letters would appeal to a general readership is difficult to fathom. Reading *Personal Letters of a Public Man* is like listening to the small talk of a rather ordinary Canadian household: one would have to be a Diefenbaker—or a professional biographer—to find it as absorbing. Indeed, the only service that the collection offers is to reveal Diefenbaker's essential decency despite a reputation as an egotist. Diefenbaker was a tolerant, helpful and even loving man

to those people for whom he cared. Diefenbaker's complex character had its roots in rural Saskatchewan. But few of the man's letters come from the period between the turn of the century and 1940, when he was first elected to represent the federal riding of Lake Centre. From then on, letters travelled often between the family house in Saskatoon and Diefenbaker's Ottawa office. His iron-willed mother, Mary, was a frequent correspondent, always addressing her son as if he were an impressionable boy rather than a mature man. In 1941 she admonished him, "Don't let your temper get the better of you."

Mary Diefenbaker's influence on her son was unwitting but it eventually paid aside that of his two wives. In 1939 the aspiring politician married Edna Brown, an effervescent young woman who was a great asset. But when Diefenbaker was re-elected in 1945, she succumbed to depression and received painful shock treatment. Edna wrote John the most harrowing and passionate letters in the collection from her Guelph, Ont., sanatorium rambling and despairing, they are a voice from hell. "Take, do something," she pleaded in 1946, "I'm not committed and you know I'm sane." Unfortunately, few of Diefenbaker's replies survived, although Stella Hall's 1982 biography, *The Other Mrs. Diefenbaker*, suggests that he was insensitive to Edna's distress and authorized the shock therapy himself.

Soon after Edna died of leukemia in 1951, Diefenbaker was writing enthusiastic love notes to an attractive widow, Olive Palmer, whom he had first met in 1917. After their marriage in 1953, she brought a graceful, personal touch to the historic election campaigns of 1957 and 1960 when her husband first drove the long-enslaved Liberals out of office and then assumed the largest Canadian majority in Canadian history. Her correspondence shows that she was genuinely devoted to Diefenbaker and even something of an idealist in his career: in one letter she urged him to emulate the great funeral orators of the Athenian statesman Pericles in making a speech.

Diefenbaker's own reticence to public life was disappointingly guarded in *Personal Letters*, as if he were aware of history's spotlight. Edna has views on his arch enemy, Dalton Camp—the Conservative party president who engineered his removal as party chief in 1967—are almost entirely left out of print. As for Diefenbaker the great raconteur and Diefenbaker the historicist, he is hardly in sight. At best, *Personal Letters of a Public Man* provides only sketchy and tedious insight into the life of a truly extraordinary Canadian.

—JOHN BURGESS

## A tragedy in black and white

COMMON GROUND:  
A TURBULENT DECADE  
IN THE LIVES OF  
THREE AMERICAN FAMILIES  
By J. Anthony Lucas  
(Random House, 448 pages, \$22)

For much of the mid-1970s the city of Boston staggered through a racial nightmare. The immediate trigger was a 1974 ruling by federal Judge W. Arthur Garrity that black and white students be bused to recently integrated public schools. Massive white resistance erupted immediately, especially in the working-class Irish enclaves of South Boston and Charlestown. White mobs stoned school buses filled with black children, and vicious fights broke out on the streets and in school corridors. The bitter conflict indelibly tarnished the reputation of Boston, which had given birth to the anti-slavery movement during the 18th century. The Pulitzer Prize-winning journalist J. Anthony Lucas the city's bleak with race war became a scorching chronicle, absorbing seven years of research. With *Common Ground: A Turbulent Decade in the Lives of Three American Families*, he has produced an encyclopedic portrait of Boston from 1968 to 1978—and the best

book in years on any American city.

While focusing on three Boston families and five prominent citizens who were embroiled in the crisis, Lucas ranges over topics as diverse as residential busing and the blurring of the city's boundaries. Whites Lucas's city's warring ethnic groups. *Common Ground* includes powerful vignettes of brown and riots which are absorbing reminders of how close Boston came to resembling Belfast. Lucas describes battles between police and furious white youths as "barbarism," as prevarious as a regular mass.

As actors and victims in the city's drama, Lucas's three families give a human face to the debacle. Colin and Joan Dever, professionals of wealth and

from "quasi-suburban" Brighton to the city's racially mixed and run-down North End. Colin took a low-paying job with Mayor Kevin White, a powerful leader of the city's disunion. Writes Lucas: "For the first time in months he felt that life held some purpose."

Just a few blocks from the Devers' elegant town house, Ralph Traynor grappled with life in a black ghetto as a single mother of six, living on welfare. Halfway across the city in predominantly white Charlestown, Alice McGoff, a widow with seven children, struggled for dignity in a dilapidated housing project similar to the Traynor's building. The families' lives intersected when housing brought Traynor's daughter Cassandra to Charlestown high school, which two of McGoff's children attended. Lucas writes that

McGoff, like most of her contemporaries, believed that "blackness of birth once carried knives, razors, scissors, stink-pots and other weapons with which to assault whites."

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Lucas' vicious mobs

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of the three families, Lucas helps the reader to identify with their emotions. While McGoff's antiracism activism brought her a new sense of pride, her children developed a rough tolerance of their new black class mates. The atmosphere of racial hatred had more painful repercussions for Taynos, whose children turned to serious crime. Meanwhile, the Divers' decision was thin. Not long after Colin found himself slugging a black mugger with a baseball bat, the couple fled the city for refuge in a leafy suburb.

Lucas's profiles of five prominent figures in the dispute are far more dazzling. School committee chairman Louise Day Hicks, the pompous hostess of a leading South Boston party, discovered that her opposition to busing would pay large political dividends in 1970 she used the publicity she garnered to win a seat in Congress. In the process, Hicks helped to ignite a vicious, almost fascist white backlash. But Lucas demonstrates that even more powerful advocates of busing were at best ineffectual and at worst opportunistic. Mayor White compromised with antiracism forces when his halfhearted commitment to blacks began to hurt him politically in angry Irish neighborhoods. And Judge Garrity's precise, biting quotes precluded more gradual compromise while disgusting blacks to schools that



Boston policeman and student. *Noted*

were little more than dumping grounds for poor white students.

The author argues that social class played as great a role as race in the controversy. Working-class opponents of busing felt that they had lost control of their children and schools to outsiders such as Gervasi, a "New Yorker" Irishman from the wealthy suburb of Wellesley. In one of the book's more memorable scenes, Lucas describes how Senator Edward Kennedy, once a hero in Charlestown, was pelted with tomatoes by antiracism demonstrators.

Despite the author's dramatic accounts of such events, Common Ground has several weaknesses. Adopting a mostly reportorial stance, Lucas draws few clear conclusions. In a brief epilogue, he updates the lives of his principal subjects but leaves the reader with few insights into the busing experiment, which continues in a shrunk Boston school system. As well, he fails to mention several signs of hope that have emerged during the past seven years, including the recent appointment of a black, David S. Wilson, to the school committee. Still, the book has spurred some promising dialogue. Lucas has done more than authorize Boston's dispute—he may also have helped its factions find some common ground.

—LENN GUYEN

## FILMS

# Conjuring up a lost age of innocence

MY AMERICAN COUSIN

Directed by Sandy Wilson

**M**y American Cousin opens with a sulky young girl sobbing "Nothing ever happens" repeatedly in her diary. The 12-year-old who desperately wants to be 16 lives on a ranch in the gorgeous Okanagan Valley in British Columbia. Sandy (Margaret Langrick) is bored with the view. But under a hazy sun in the summer of 1959, the local scenery is enhanced by the sudden appearance of her Californian cousin, Butch (Lyle Widmark), who shows up as a hoodlum behind the wheel of a lipstick-red, shark-toothed Cadillac convertible. Vancouver writer and director Sandy Wilson has filled the screen with bold 1950s stereotypes and created a funny, well-remembered film that goes beyond nostalgia. Unlike so many Hollywood efforts to revive the 1950s, *My American Cousin* looks at male adolescence from a female perspective. And its themes are enlivened by the sobering distance of the Canadian hinterland.

As Sandy's visiting cousin, Widmark creates an effective caricature of a brash American boy who is too good-looking for his own good. A self-styled James Dean, Butch is in love with his image and his car, although neither belongs to him. He wears a white T-shirt in his muscular torso with a pack of Camels tucked in the sleeve. The Okanagan girls have never seen anything like him beyond a movie theatre, and he soon becomes the object of their smoldering adulation. Sandy's father (Richard Dwyer) gives him a pecking chicken, but Butch has little pretense for manual labor. He is more interested in testing the local muscles. Dodging Sandy's precocious advances, he pursues her older friend. The sex never goes beyond casual jostling, and the violence produces no more than a cut lip and a bent bumper. But seen through Sandy's eyes, Butch's jostling exploits are full of danger and romance.

In the end, not much happens—certainly not enough to fulfil the usual plot requirements of a Hollywood feature. But that is partly what makes *My American Cousin* so believable. Wilson has preserved the authenticity of her story by relying on personal instinct. To shoot the film she returned to her childhood home, the 40-acre Paradise Ranch overlooking Lake Okanagan. To play her younger self, she

chose a former neighbor with as previous acting experience. The spunky 13-year-old Langrick brings a level of wit and candor to her role that no amount of craft could contrive.

Sandy debauches the film, not just as its main character but as an innocent observer who is still looking at adolescence from the outside. Living

entrained and amused by the worldly posturing of an older boy. It is also a vivid portrayal of a country that had yet to discover the adult dimensions of cultural nationalism. Representing Canada's Vancouver past are Sandy's street but fervent parents. Jane Morley is convincing as her mother, but Dwyer overplays his role as her father



Widmark: a red Cadillac and a pretty crash in the long, hot summer of 1959

proof that girls grow up faster than boys, Sandy judges Butch to be "concocted and immature" but decides to like him anyway. She is as aware as her parents are that he is a short-sighted in his American chauvinism, and the exchanges between them are rich with cultural nuances. As he tries to punch some life into the car principal, she tells him: "They only play rock 'n' roll on Saturday afternoons." Butch boasts, "In the States we get rock 'n' roll all day long."

*My American Cousin* conjures up a lost age of Canadian innocence, that uncertain time when the Red Wings and the Venus Jack flourished side by side while America transformed the world with cars and TV sets. On the one hand, the film tells a simple story about a young girl who is alternately

with a stifled performance—the only serious drama in a film that is otherwise beautifully costumed. Richard Lester's photography captures the pristine look of 1950s Canada with breathtaking clarity. And the scenery of the Okanagan forms an almost surreal backdrop for Butch's idyllic joys and red Cadillac.

Although *My American Cousin* will appear on CBC television in 1986 after its theatrical run, it deserves to be seen on the big screen. The freshness and power of its visual images help forge the magical connection between the director and her childhood memories. And the result serves as vivid evidence that independent film-making is gradually coming of age in Canada.

—ELLEN D. JOHNSON



# Anatomy of a divorce



Nickman, already, Burtzy, caught in the timely cross fire of warring feelings

## TWICE IN A LIFETIME

Directed by Bud Turpin

In examining the repercussions of a divorce, *Twice in a Lifetime* is a sophisticated soap opera—by turns poignantly truthful and mawkishly high-minded. Harry (Gene Hackman), a steel worker in a Seattle suburb, meets a burlesque named Audrey (Ann-Margret) on the night of his 50th birthday. His wife, Kate (Ellen Barkin), has chosen to stay home and watch television rather than help him celebrate. She considers the neighborhood bar too rowdy, while Harry finds it the only place where he can enjoy himself. Their marriage has deteriorated into a seldom, joyless exercise, a cascade of small talk and grunts. The widowed Audrey, who is playful, saucy and seductive, catches Harry's eye and his dormant imagination. After their first elopement date, they become drawn to each other's needs. Soon Harry decides to leave the long-suffering Kate and begin his life again.

Seeing viewers of *Twice in a Lifetime* will likely engage in recognition of the pain and tension caused by Harry's decision. The responses it provokes range from confusion to hysteria. His youngest daughter, Helen (Ally Sheedy), and his son, Keith (Stephen Largent), although understandably hurt, accept the decision. But Harry's other daughter, Sunny (Amy Madigan), who is an

happily married herself, turns as him is late and frustration. And the effect on Kate is shattering: she cannot believe what is happening to her life. "What are you talking about?" she asks Harry incredulously. "You are my best friend." When Harry finally leaves, Kate quits her job at the beauty parlor and withdraws into a pained, catatonic state.

The scenes in which the family first discovers Harry's infidelity are fraught with raw emotions. Director Bud Turpin (*Disorderly American Style*) is brilliant at keeping the movie at a feverish pitch. The viewer feels caught in the cross fire of warring feelings. But the characters in Colin Willard's script at times sound more like mouthpieces for a writer's ideas than real people. Willard's ear for blue-collar dialogue is evident in such unlikely lines as "Sometimes pain needs causing to shake everybody up." And some of the characters, conspicuously Audrey, never develop beyond their status in the film's first scenes. Although Harry brings Audrey out of seclusion, the audience never experiences her rejuvenation. Yet rebirth in the film's most potent message: people must carry on with their lives, no matter how much they have been crippled. When Kate comes out of her shell and, after bringing a new hair style, pinned ears and a made-strut click, begins to get back on her feet

As Kate and Harry demonstrate, life can be filled with delights. But what *Twice in a Lifetime* shows its backyard standards is the acting by a near-flawless cast. Hackman gives a superb performance as Harry, who has found "a new reason for getting up in the morning." The spring in his step conveys the bounding energy with which he tries to cover up the guilt—and less—he feels. Throughout the film there is a look of sad resignation in his eyes. Burtzy, whose role demands the widest range, manages to transform Kate delicately from a drab housewife to a sadder but wiser woman who begins to see new possibilities. And Madigan, playing the hot-headed Sunny, achieves moments of astonishing rage, most memorably in a scene in which she confronts Harry and Audrey in a bar. With Kate in tow, she offers her father the heartwarming admonition, "Hey Dad, in case you forget, this is my mother."

Sadly, what *Twice in a Lifetime* lacks is emotional release: the estrangement between Sunny and Harry, and Harry and Kate, has no resolution. At Helen's wedding at the end of the film, Sunny will refuse to talk to her father. Rather than finishing with a flourish, the movie whimpers to a close, and the viewer feels cheated. The film never fully recovers from the early scenes that bristle with anger and confusion. Like all soap operas, *Twice in a Lifetime* ends a torrent of emotions but stops short of enlightenment.

—LORRENCE OTTOLE

## MACLEAN'S BEST-SELLER LIST

### Fiction

- 1 *Lookin' Colours* (3)
- 2 *Shackles Cross*, King (4)
- 3 *Jesus Walks* (12)
- 4 *The Roadman's Tale*, Atwood (4)
- 5 *The Fourth Deadly Sin*, Sanders (4)
- 6 *It Tomorrow Comes*, Sheldon (4)
- 7 *The Color House Rules*, Irving (3)
- 8 *The Red Fox*, Ayde (3)
- 9 *Contact*, Rosen
- 10 *Confessions*, Nguyen (4)

### Nonfiction

- 1 *Isaacson, Interview with Menck* (3)
- 2 *Klein and Me*, Presley with Harmon (4)
- 3 *Strait from the Heart*, Cliverson (4)
- 4 *The Canadian Encyclopedia* (4)
- 5 *Yasser, Interview with* (4)
- 6 *Unsung in the Light*, McCutcheon (4)
- 7 *Company of Adventurers*, Newman (3)
- 8 *The World of Robert Heinlein*, Perry (3)
- 9 *A Passion for Excellence*, Peters and Austin (4)
- 10 *A Day in the Life of Canada*, Edited by Cohen (10)

(1) Figures last week



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A drink-weigh in for alcohol content

# An opening shot in hard covers

By Allan Fotheringham

**T**he air is thick with chic and white wine in the Koffler Centre off College Street at the University of Toronto. It is Sunday evening, not a time when the social cream of Toronto usually exposes itself to the night air, being fearful of catching an undesirable cold in the nose or missing a candle in Rosedale. Nevertheless, most anyone who is anyone is here—politicians, literary types, social well-dressers, all the shoozers and makers. They are here, sipping chic extra-dry because this is supposed to be a book-launching party for Jean Chrétien. It has nothing to do with books. It is his English-language launch for the leadership of the Liberal party.

Look over the gathering. Silver-haired Senator Keith Dwyer, who is present wherever a trend may be sniffed, is situated perfectly, near the back but not quite on the back row. Donald MacDonald, the recently retired royal commissioner who always disdains any anti-association with the leadership but is always, like, around it, is seen someone gets hit by a bus, is present along with wife, Ruth, who would never re- or retreat from anything. Nancy Courtois, who, as a lecturer, lives around the fringe, has not recently moved, his brain working as usual.

Chrétien, the short-attention-span man who now allegedly has written a book, is even more absent than ever. A few sights previous to Montreal, at the French-language launch, John Turner, who is nominally the leader of the party, flew up from New York to what he presumably thought was a simple book-signing ceremony. Instead it is hard to believe he was not undressed by political forces—1,000 loyal Chrétien readers showed up, including one Pierre Trudeau, who studiously avoided Turner, as per usual. Now, on a Sunday night in Toronto, we have 800 supposed Chrétien readers cranking in for warm white wine. Is someone on hand to need translators for book sales, that's how you sell books.

Certainly, The Liberals, as if they

did not have enough problems, are now into the very same situation the Conservatives were in between 1976—when Brian Mulroney "lost" the leadership to Joe Clark—and 1983, when he formally took it back. Clark had to look over his shoulder all those years while Mulroney flogged Mulroney and finally, just as Turner must now look over his shoulder at not-so-loyal soldier Chrétien, whose tongue is almost hanging out, such is his lust for the job.

The alleged book, *Straight from the Heart*, is of course not a book at all. It

is English version, which translates into some 42,000 copies, with another 15,000 in French. It is the surprise hit of the season—to everyone but Porter, who sniffs the political winds.

The funny thing about Chrétien's growing popular reputation is that he is not really a populist at all. As he explains in his book, he was raised in the region famous for populist politicians with a colorful style, the St-Maurice valley, which produced Maurice Duplessis, Maurice Bélavance and René Casseville and Gaston Roussin of the

Creditos. "Since I had to fight populists, I learned from them and even tried to outdo them" with the same, emotion and jokes that made him "pay a political price among the intellectuals of Quebec." But the little guy from Shawinigan in truth is not really a populist. He supported his mentor, the right-wing Liberal Mitchell Sharp, in the 1968 leadership battle against Trudeau. He never challenged the Establishment in his troubled stint as the first French-Canadian finance minister. His campaign manager in his leadership struggle was a vice-president of Power Corp. His daughter has married into the family of multimillionaire Paul Desmarais.

It doesn't really matter. Fans are lining up across Canada to get autographed copies of this book. It's not a book. It's the opening shot in a leadership campaign. Brian Mulroney should ask for the first copy.

## Apology

One of the weaknesses of this department is its lightheartedness. Some months denied, I was apparently too lighthearted in what was meant to be a sincere apology to an old friend, Mike Hunter, and his Liberal colleague John Seft, both of that time aside to John Turner. I would now like to assure both of them that I offer a full apology if, in my original remarks, I did them any harm, injury or wrath. It was not my intent then to do so, and my full regrets are due there if they have been angered or bruised.



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